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Bulls Beat 76ers
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The Word in Moscow: Market

'No Need to Fear,' Soviets Are Told of Shift to Capitalism

By Bill Keller
New York Times Service

MOSCOW — During the soccer match between Spartak and Dynamo Kiev a week ago, television viewers were presented with a singularly Soviet halftime entertainment: an interview with a presidential economic adviser, Stanislav S. Shatalin.

Mr. Shatalin is the newest addition to President Mikhail S. Gorbachev's team of economic pitchmen, and his message was the very latest in Kremlin doctrine.

"The market," Mr. Shatalin told the soccer fans, coolly proffering a concept synonymous here with cruel capitalism. "No need to fear the market. It won't hurt you."

Mr. Gorbachev has not made clear how and how soon he wants the country to be on a market economy. But after five years of failed economic nostrums, most of them aimed at preserving the rough outlines of Communist central planning, the Kremlin is turning in desperation to the very idea communism was intended to replace: an economy driven by the self-interest of buyers and sellers.

What has forced the Kremlin toward a market policy is the realization that the more conventional restructurings of the collapsing economy that Mr. Gorbachev inherited when he came to power in 1985 have all failed to remedy the consumer desperation that threatens the country's stability, and have all failed to remedy the technological backwardness that endangers its superpower status. Halfway measures have, in some ways, even made the feeble economy worse.

Whether the fascination with the market will mean a breakthrough in practice, whether Mr. Gorbachev has the nerve to let free prices and competition run riot in his backward society — these are perhaps the gravest questions confronting the Soviet Union in the coming months.

"Now everyone agrees that we have to introduce a market system," Mr. Shatalin, a member of Mr. Gorbachev's cabinet, said in an interview. The timing and mechanics, he said, are still being debated, but "the choice is made."

Perestroika in Crisis
The Failing Reforms
First of two articles

The impact of the economic collapse on consumers has been a combination of insult and injury.

For the big cities, which is where planners themselves live, shortages have meant longer lines and endless grousing. For the provinces, which get lower priority, they have meant rationing cards for meat, milk, butter and other staples.

For the poor, the pensioners and those who live in the neglected rural poverty pockets that begin at the outskirts of any city and stretch for countless bleak miles across the country, the last few years have added new misery to an already pathetic situation.

In 1980, 68.7 million people — about 26 out of 100 — lived below the official poverty line. In 1988, an economist noted in the latest issue of the magazine Young Communist that when the poverty line was adjusted for inflation, the number of poor was 80 million. Out of every 100 people, two more have fallen into poverty.

Rair Simonyan, an economist at the Institute of the World Economy and International Relations, contends that Soviet life has been so grim for so long that the recent decline has barely been felt. The main effect, he said, is psychological.

"People go to work every day and do something there, maybe not as well as before, but the system operates," he said. "The life of the Soviet citizen has not changed markedly, it's just that now he has begun speaking more freely about it, and he is better informed. Now he compares his life to life in the West."

The Central Intelligence Agency in the United States recently developed a comparative measure of purchasing power that attempts to measure not only the price but also

Edward A. Shevardnadze offers a candid view of the challenges facing perestroika. Opinion. Page 6.

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Michel Lipchitz, The Associated Press
About 10,000 people gathered to pay their respects Sunday at the Jewish cemetery in Carpentras, France, after last week's desecrations.

2 States Deal Kohl A Setback

Vote Losses Show Dissatisfaction on Unification Plans

Reuters

BONN — Chancellor Helmut Kohl's Christian Democrats lost two West German state elections that have been billed as a test of his unification policy and his chances for re-election in December, according to computer projections Sunday.

Televised projections indicated that the Social Democratic Party would unseat a fragile Christian Democrat-led government of 14 years in the state of Lower Saxony and would defend its absolute majority for the third time in neighboring North Rhine-Westphalia.

East and West Germany have completed work on a treaty to merge their economies. Page 2.

The Social Democrats' national leader, Hans-Jochen Vogel, said the outcome in the two states showed that voters disapproved of Mr. Kohl's policy for reunification with East Germany.

"In Lower Saxony we had a painful defeat," Mr. Kohl said in a national television interview. "It had several reasons," he said, adding, "One is the uncertainty: What will German unity cost?"

He added that the loss in North Rhine-Westphalia had been expected but that it was still a disappointment.

The elections in Lower Saxony and North-Rhine Westphalia, involving 19 million, or 40 percent, of the country's eligible voters, provided its first major electoral test since the Berlin Wall fell six months ago.

With voters largely ignoring local issues now that German reunification is around the corner, the elections were seen as gauging voters' perception of Mr. Kohl's handling of the unity process.

"We must take one lesson from this," Mr. Vogel said, commenting on the speed of reunification. "The tempo gives voters the impression that everything is going over their heads and they are no longer having a say."

The projections from Channel One indicated that the Social Democrats won 44.1 percent of the ballots cast in Lower Saxony, two points up from the 1986 election.

Together with the Greens, who

See VOTE, Page 5

Summit: U.S. Braces for Worst

By Thomas L. Friedman
New York Times Service

WASHINGTON — More than at any time since President George Bush took office, a deep sense of uncertainty has settled over the administration about President Mikhail S. Gorbachev's prospects for success and his ability to conclude the broad range of Soviet-U.S. arms-control agreements sought by Washington.

Secretary of State James A. Baker 3d leaves for Moscow on Monday for a final round of negotiations with Soviet leaders that should determine whether the May 30 summit meeting between Mr. Bush and Mr. Gorbachev will be a boon or a bust for Soviet-U.S. relations.

Administration officials say they still hope that major progress in arms control is possible, but they are prepared to come home empty-handed.

Recent shifts in Mr. Gorbachev's relationship with his military establishment, the turmoil in the Baltic republics, the weakening of the Soviet economy, and the possibility of a split at a scheduled July congress of the Soviet Communist Party — all these have left administration officials wondering aloud how much power, or inclination, Mr. Gorbachev has anymore to conclude the far-reaching nuclear, conventional and chemical disarmament agreements that Washington hoped would be largely completed by the time of the summit talks.

Administration officials are already trying to minimize expectations, apparently seeking to cushion the negative publicity if Mr. Baker's trip this week goes badly, and to make any breakthroughs appear that much more dramatic.

"It is not the end of the world if you don't conclude these agreements now," a top administration policy maker said. "If we don't do it at this summit, we will have plenty of other things to discuss. If these arms-control agreements make sense for both sides, they will emerge at some point."

Nevertheless, U.S. officials are complaining about what they describe as Mr. Gorbachev's "foot dragging," and asking themselves whether he will sign treaties that would force him to scrap 50 percent of the Soviet Union's long-range nuclear-weapons and 40,000 of its tanks, and reduce the Soviet

See ARMS, Page 4

250 Jewish Graves Desecrated in Israel

By Jackson Diehl
Washington Post Service

JERUSALEM — More than 250 Jewish graves in Haifa were found defaced with black paint and such graffiti as "Kill the Jews" on Sunday in an incident that was probably inspired by the desecration of a Jewish cemetery in France, officials said.

The vandalism in two cemeteries of Haifa, the Israeli port city, included slogans mentioning Arab villages and calling for the creation of a Palestinian state in place of Israel.

On Sunday night, Israeli radio said the Haifa police had arrested a 40-year-old Jew in connection with the incident. Policemen received reports that the man, described as mentally incompetent, had been spending time in the cemetery area.

The desecration ignited a storm of emotion in this country, where news last week of the desecration of 34 Jewish graves in the French town of Carpentras has been heavily reported.

Police units were at the Haifa cemetery to prevent demonstrations by angry relatives and spectators. "It hurts me — this is my mother," said a weeping man at the cemetery. "Kill them, and don't kill them gently."

Among the slogans painted on tombs was one reading, "Mubarak: Kill the Jews," in reference to President Hosni Mubarak of Egypt. Another said, "Muslim Brothers: Destroy the Jews and Found Palestine," and another called on President Saddam Hussein of Iraq to "burn the Jews."

Officials said about 200 graves were damaged in the Kfar Samir Cemetery and 50 others in the older Hof Carmel Cemetery. Some gravestones were painted black, and others were daubed with slogans.

"Any normal man would be shocked at what he sees," said Yaacov Turner, the national police commissioner, after touring the site. "I am not talking about the content. I am talking about the vulgarity."

Muslim leaders in Haifa, a city that is sometimes cited as a model of peaceful Arab-Jewish relations, were quick to condemn the incident. Some expressed the fear that it could provoke retaliatory attacks against Arab property in Israel and the occupied territories.

Police officials said their suspicions were aroused because the graffiti on the graves was in flawless Hebrew, a language that most Arabs in Israel do not speak well. The slogans also varied sharply from those employed by known Palestinian groups. Mr. Turner said the police were not focusing their investigation for now on Arabs. "We must deal very sensitively, because no one can say at this moment who did it and how," he said.

Despite the official caution, several Israeli politicians lashed out at Arabs, who make up about 10 percent of Haifa's population of 220,000. Rehavam Zeevi of the rightist Moledet Party was quoted by Israeli radio as saying that "while the answer to the desecration in France should be a mass exodus of Jews from that country, Arab agitators who perpetrate such attacks against Jews in Israel should leave this country, either voluntarily or by force."

The vandalism came amid tension already high after two months of political crisis that has left the country without a government. The acting prime minister, Yitzhak Shamir, is negotiating to form a rightist coalition to replace the "national unity" government that collapsed in March, and he is under pressure to make concessions to extreme nationalists.

Mr. Zeevi, a longtime advocate of the forced "transfer" of Arabs from Israel, is among the politicians Mr. Shamir is courting, and

See GRAVES, Page 5

Pentagon Submits Plans for Cuts

By Patrick E. Tyler
Washington Post Service

WASHINGTON — The U.S. military's plan to reduce and restructure itself in the 1990s would cut six divisions from the army, two aircraft carriers and 52 other ships from the navy and stop construction of the Trident ballistic missile submarine, according to internal Pentagon documents.

The plan would also defer the Bush administration's plan to build or deploy mobile intercontinental ballistic missiles.

The planning documents were submitted by the secretaries of the army, navy and air force on May 1 to Defense Secretary Dick Cheney, who will make final decisions on the recommendations this summer.

They have not been made public or reviewed by Congress, although some of the figures on force levels and various weapons systems have surfaced in Congress and the news media in recent months. But the comprehensive plans have only been completed in the past few weeks.

Budget director says White House should have more spending control if taxes are raised. Page 5.

The reductions they specify fall well short of the cuts in military spending called for by the House and Senate budget committees for the 1991 budget and beyond.

Nonetheless, the plan calls for the deepest reductions in budgeting and planning for U.S. military forces since the late 1970s, a period that preceded the largest peacetime growth of military forces in U.S. history. President Jimmy Carter and then President Ronald Reagan initiated a $2 trillion buildup in

See PENTAGON, Page 5

2 More GIs Are Killed in Philippines

By Keith B. Richburg
Washington Post Service

MANILA — Gunmen suspected of being Communist rebels shot and killed two American servicemen outside a U.S. military base on Sunday, just hours after American negotiators arrived in Manila to open talks on Monday on the future of U.S. bases in the Philippines.

The police and military officials said the two servicemen were killed while waiting for a pedicab in the commercial center of the northwestern city of Angeles. The city is home to the Clark Air Base.

The two, both airmen wearing civilian clothes, were approached by two or three assailants and were shot in the head with a .45-caliber revolver, according to the police in Angeles and to diplomats in Manila.

American military officials declined to identify the victims pending notification of their relatives. But a local television station identified the victims as John Raven and James Green.

The television station said a third American airman, who was identified as Ronald Moore, escaped the evening attack.

A U.S. military public affairs spokesman, Lieutenant Commander Kevin Mukri, said all off-base leaves had been canceled for U.S. military personnel, American civilian contract workers and Defense Department employees and their dependents.

The attack appeared to fit the standard pattern of Communist guerrilla assassination teams. The teams usually approach their victims on a darkened street and shoot them in the head at close range with a small-caliber handgun.

The Communist Party of the Philippines and its military wing, the New People's Army, have repeatedly threatened to attack American targets to protest the U.S. military presence in the Philippines.

The slayings on Sunday came just nine days after a U.S. Marine, Sergeant John S. Fredente, 34, was killed by unidentified assailants who shot him in the back of his

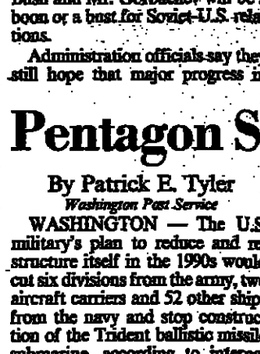
See MANILA, Page 4

Kiosk

Van der Klugt Said Replaced at Philips

EINDHOVEN, the Netherlands — Dutch television reported Sunday that Cor van der Klugt, chairman of Philips NV, was replaced by Jan Timmer, head of the company's consumer electronics unit. Philips refused to confirm or deny the report. Page 9.

MONDAY Q&A



AP
Vladislav A. Starkov, a leading Soviet editor, sees hope for compromise on the Lithuania issue. Page 2.

General News
A U.S. study said the life expectancy of male smokers is cut by 18 years. Page 3.

Personal Investing
Some experts said Dutch stocks offered a low-cost bet on Germany. Pages 13-16.

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Bonn-Washington Warming

Efforts on Unity Rekindle West Germans' Enthusiasm

By Joseph Fitchett
International Herald Tribune

West German leaders have come to regard the United States with the kind of warm political appreciation that would have seemed unimaginable a year ago.

The source of this shift is the credit given the Bush administration and U.S. public opinion for support and adroit diplomacy in seeking to help quickly reunite the two Germanys.

"The last six months have showed us who our friends are and who are not really our friends," said an official in the coalition government in Bonn.

Similar sentiments surface in conversation with West Germans of almost all political persuasions, according to U.S. officials, business executives and journalists.

During the presidencies of Jimmy Carter and Ronald Reagan, the view had spread in Bonn that the United States was becoming a self-centered power and therefore an unpredictable leader in its dealings with allies and the Soviet Union.

West Germans' rekindled enthu-

NEWS ANALYSIS

siasm toward the United States is accompanied by a disappointed, increasingly aloof tone toward France and Britain, a tone that partially belies Bonn's public assurances that it seeks to sink German power into collective arrangements in the European Community.

The new link between Washington and Bonn, involving extraordinarily intimate foreign-policy teamwork, is the most significant adjustment in the West so far in response to collapsing Soviet power, officials and politicians in both capitals say.

While President George Bush and Chancellor Helmut Kohl have framed the broad political harmony between the two governments, the improved relations are mainly due to intense collaboration between a remarkably successful foreign-policy duo: Secretary of State James A. Baker 3d and Foreign Minister Hans-Dietrich Genscher.

Their cooperation in spearheading German reunification, officials said, has been crucial to Western progress in prying East Germany out of the Warsaw Pact and, in effect, negotiating the most important turning point in East-West relations in Europe.

In West Germany's eyes, the United States embraced the German cause, sometimes emboldening the Bonn government itself by the ardor of U.S. efforts to persuade the Soviet Union and North

See FRIENDS, Page 2

Reuters
DENG IN PUBLIC — President Hosni Mubarak of Egypt, left, being embraced by China's senior leader, Deng Xiaoping, at a meeting Sunday in Beijing. Mr. Deng's first public appearance since Feb. 17, ending Mr. Mubarak's visit, dispelled rumors about the Chinese leader's health.

Singapore 'Melting Pot': A Dream Fades Amid Racial Tension

By Steven Erlanger
New York Times Service

SINGAPORE — Twenty-five years after independence from Malaysia and the embrace of a multiracial state, relations between Singapore's dominant Chinese and minority Malays have soured a bit.

"I don't think they heard me come in," said Maizurah, a Malay university graduate with a good entry-level job in Singapore's meritocratic civil service.

Four of her Chinese colleagues, two of them her friends, had been talking. "They were only joking, you know — about something in the news — but it was the usual thing about 'the lazy Malays.' I just walked out again, very quietly."

Was she upset? "Yes."

Was she typical of Malay Singaporeans? "Probably not," she said. "A lot of my friends are more upset than I am."

Johari, a young businessman, took a break from shopping in the largely Malay district of Geylang Serai. It was bustling and crowded on the eve of Hari Raya Puasa, the feast day and national holiday that marks the end of the Muslim fasting month of Ramadan.

"We have to play by the rules, and the Chinese make the rules," he said. "If you make money, it's O.K., that's the deal. But you make too much noise, and you can get nothing."

Halim owns a fabric stall in the market, selling batik and Chinese silk. "We get along with the Chinese here," he said. "But now they throw their weight around."

His son broke in to say, "They always talk of us as a problem. But you can count the Malay cabinet ministers on one finger of one hand."

The theme of Singapore's yearlong independence celebration is "one people, one nation, one Singapore." But many Singaporeans of Chinese descent, who make up 76 percent of the population of 2.7 million, speak patronizingly of Malay Singaporeans as a backward underclass, progressing slowly but in fact falling farther behind the Chinese.

Many Singaporeans of Malay descent, 15 percent of the population, say their lives are better here than in nearby Malaysia, where the racial dominance is reversed, but they also speak bitterly of Chinese domination, clannishness and arrogance.

"We talk freely about racial issues and interracial harmony," said Ahmad Mattar, the environment minister and minister for Malay affairs. "It's a new phenomenon for Singapore. Malays are prepared to discuss sensitive, racial or religious issues in the open, frankly and rationally," said the only Malay in the cabinet. "Of course, some get very emotional about it."

Recent conversations with Chinese, Indian and Malay Singaporeans made it clear that the founding dream of a multiracial melting pot for Singapore has largely been abandoned.

Instead, there is an emphasis on strengthening and respecting ethnic and racial roots.

Singaporean officials now like to speak of the city-state as a mosaic of cultures, a successful amalgam of immigrant peoples who have made an implausible nation succeed through hard work, tough govern-

See MALAYS, Page 2

Lithuania Split: A Soviet Editor Sees Room for Compromise

Vladislav A. Starkov is editor in chief of the Soviet weekly Argumenty i Fakti, the country's most widely read newspaper and, with a circulation of 33.5 million, the largest-selling paper in the world. He was recently elected to the new Congress of People's Deputies of the Russian Republic. During a visit to Paris, he discussed the situation in the Soviet Union with Meg Bortin of the International Herald Tribune.

Q. Over the past year, the problems facing President Gorbachev have increased dramatically. How do things look for him at present?

A. The situation is extremely complex, but not unresolvable. The complexities include the fact that economic development is at a dead end, and the appearance of very strong centripetal forces. I am referring to the nationalities problem. A number of republics are asking to be independent, to break away from the center. This could have very far-reaching consequences, so we must find a way to attenuate this ethnic crisis. Otherwise the country could break up.

Q. Can Mr. Gorbachev manage to keep Lithuania in the Soviet Union, or is it too late?

A. I'm certain that they will find a compromise. Imagine the situation of a couple with a child who are going through a divorce. They may split up and live in separate apartments, but they still need to keep in touch and talk to each other because of the child. What is happening with Lithuania presents us with a similar situation.

MONDAY Q&A

Q. Is Mr. Gorbachev at risk because of conservative opposition to his program?

A. I think the risk has diminished. Gorbachev has reinforced his power by becoming executive president while remaining general secretary of the party. And it must also be said that every leader faces similar risks. Only a few days ago the French prime minister risked losing power when his government had to face a vote of confidence. Such risks are inherent in power.

Q. There has been a lot of talk about a possible split in the Soviet Communist Party. Will the party break up at its congress in July, or even before?

A. No. A part of the party will continue to exist, and this remaining part will be more unified. At the same time, members of the progressive wing plan to set up a new party before July. It will be created this month. The initiative is being led by Nikolai Traftkin, one of the activists of the Inter-Regional Group in parliament. Not all of the members of this group plan to join. Those who do will not go to the party congress.

Q. Boris Yeltsin, the populist former party chief of Moscow, has been described as a potential challenger to Mr. Gorbachev. Is he likely to be elected president of Russia by the republic's new Congress of People's Deputies?

A. The congress convenes for the first time on May 16, and the agenda has not yet been set. At present there are two points of view on the matter. The first is that we should choose a president immediately. The second is that candidates who have served in powerful posts should be made to address the congress before we elect a president. They should be forced to account for their previous actions in office and to state how they would help lead the country out of its crisis. I strongly favor the second position.

As for who the president will be, the Politburo has approved three candidates, including Alexander Vlasov, the former interior minister, who is now prime minister of Russia. On the other side, the candidates are Yeltsin and an economist. The balance between conservatives and progressives is evenly split, I'd say 50-50. It is certain that there will be a struggle. If Yeltsin wins, there will be major changes, and not just in Russia but in the entire Soviet Union.

Q. On the international front, the Soviet Union has been at odds with the other World War II victors at the Two-plus-Four talks on the question of security arrangements for a united Germany. How will this problem be resolved?

A. The question of Germany is of course complex, and we must find a healthy solution. A united Germany cannot be left on its own, without controls. The view emerging now is that these controls can be provided by NATO. So while Gorbachev originally favored neutrality for Germany, his viewpoint is now evolving to the idea that Germany must be part of NATO.

Q. Do you foresee a breakup of the Warsaw Pact?

A. Yes. Maybe we can find a new form of association, but this is unlikely. The Soviet Union needs very good relations with the United States and Europe. And *given present trends*, we can also ask the question: Why do we need a military pact? Against whom?

Q. Within the Soviet Union, the possibility of civil war has been raised with growing frequency. Are there serious grounds for believing that a civil war could break out?

A. There is such a risk. If the economic reforms stagnate, strikes could break out. There is broad dissatisfaction among the population. And this, against the background of the existing civil conflicts in the Caucasus, could trigger a true civil war. Nothing can be ruled out. At Argumenty i Fakty, we are trying to calm people down, explaining to our readers that a civil war would be a catastrophe. There would be no victors, only chaos. It must not be forgotten that on the territory of our country we have atomic power stations and nuclear missiles.

Germanys Finish Work On Merging Economies

By Serge Schmemann
New York Times Service

BONN — Experts from West and East Germany have completed their work on a treaty to merge their economies and currencies, clearing the way for the two governments to debate the first major step toward re-unification.

A spokesman for the West German government said Sunday that the negotiators finished their work shortly before midnight Saturday.

The finance ministers of both states are expected to begin discussing the financial aspects of the treaty on Monday, with approval by the two governments possible on Friday.

But officials said West Germany still required accurate financial information from East Berlin, including the size of the budget deficit, before they could complete the financing of the treaty.

Details of the draft were not immediately available, but the West German government spokesman, Dieter Vogel, indicated that some of the most complex issues under discussion — agricultural and industrial restructuring, and property rights — had been separated from the treaty and would be covered in additional agreements.

That suggests both sides are prepared to set some of the stickiest issues aside to ensure that the currencies are merged by the July 2 deadline set by Chancellor Helmut Kohl.

The two governments have agreed to exchange East German marks for West German marks at a rate of one to one for wages, pensions, and savings up to 4,000 marks, and at a two-to-one rate for any additional savings. At the current rate, 4,000 marks is about $2,400.

The governments have also agreed that West Germany will assume responsibility for unemployment benefits.

East Germany will agree to adopt West German monetary, economic and tax policies and to shift from a central planning to a market economy.

The major problems remaining to be worked out center on property ownership, specifically how to settle the claims of former West German owners of properties in East Germany and how to dispose of state-owned properties. In agriculture, the discussion centered on land ownership and farm subsidies.

The East Germans have complained that the unregulated import of West German produce *threatens to push their produce off* the market. They are also afraid of being stripped of subsidies and of losing their land.

In general, the monetary and economic union has raised considerable anxiety in both Germanys.

East Germans fear that conversion to a competitive market economy will create huge dislocations and unemployment. They also fear that a land rush by West Germans could in effect dispossess them of their homes and bankrupt their businesses.

The weekly magazine Spiegel has reported that the East German interior minister, Peter-Michael Diestel, has asked Bonn for extra riot gear in case the monetary union led to widespread social disturbances.

West Germans fear that the monetary union will be prohibitively expensive and *could undermine* their social security system and help fuel high inflation. Bonn has estimated the cost of monetary union at 20 billion West German marks, or about $12 billion.

The Bonn government sought to allay some of these fears by saying that it was ready to allocate more money for farmers and for restructuring East German companies.

Mr. Vogel also said that on the question of property ownership, Bonn was "confident that a fair ruling will be made for former owners and investors" in the East.

Herbert Knosowski/Reuters

STREET BATTLE IN FRANKFURT — A protest against German unification turned into a battle Saturday between thousands of bottle-throwing protesters and policemen using riot sticks and water cannon. One protester was hospitalized, and 16 were arrested.

Baltics Urge Gorbachev To Set Up Joint Talks

Reuters

TALLINN, Estonia — Leaders of the three Baltic republics have urged President Mikhail S. Gorbachev to hold joint talks with them *on independence after their week*-end meeting, the Estonian foreign minister, Lennart Meri, said Sunday.

The presidents of Estonia, Latvia and Lithuania sent Mr. Gorbachev a telegram asking him to set a time and place for discussions on restoration of their sovereignty, Mr. Meri said.

"We asked him to set a date — the sooner the better — to begin discussions with the three heads of the Baltic states to solve the Baltic crisis and restore their full independence," he said. "We hope that he will understand our problem and the goodwill that the people of the Baltic states have for his policy of democratization."

The message was agreed to late Saturday at a dinner winding up the one-day meeting, which renewed a prewar cooperation treaty and called for Baltic independence to be placed on the agenda of Mr. Gorbachev's meeting with President George Bush beginning on May 30 in Washington.

The three leaders were meeting for the first time since elections brought pro-independence groups to power in the Baltic republics.

Mr. Meri said that they had agreed to send identical messages to Mr. Gorbachev and Mr. Bush but that details would be made public only when it was delivered, probably on Monday or Tuesday.

■ **United Front**

Earlier, David Remnick of The Washington Post reported from Moscow:

The Baltic republics, at their meeting in Tallinn, formed a united front to strengthen their challenge to Moscow for independence and asked to join the United Nations and another international organization.

The three presidents agreed to *revive the Baltic Council, a policy* coordinating body that existed before the Soviet annexation of the three republics in 1940. They also asked for independent membership in the United Nations and the 35-nation Conference on Security and Cooperation in Europe.

Vytautas Landsbergis of Lithuania, Arnold F. Rüütel of Estonia and Anatolijs V. Gorbunovs of Latvia said after their meeting that they had appealed to Mr. Bush to make Baltic independence a key topic when he meets with Mr. Gorbachev.

"In these difficult times," Mr. Rüütel said, "we have to show unity and extend a hand to one another. That is the only way."

The joint declaration said, "Realization of universally recognized norms of international rights, including in relation to the three Baltic governments, former full members of the League of Nations, would create good preconditions for strengthening peace, disarmament and development of cooperation in all of Europe."

The declaration also said that the goal of the Baltic leaders was "the *full restoration of independence of* the three republics" and that the revived council would regularly meet to make nonbinding recommendations to the legislatures of the three republics.

The Baltic republics, which were part of the Russian Empire and then independent after 1920, were annexed by the Soviet Union in 1940 as part of a prewar accord between Moscow and Nazi Germany.

In recent months, the legislatures of the Baltic states have challenged and angered the Kremlin leadership by issuing declarations of independence and demanding negotiations.

Mr. Gorbachev has refused and has imposed a partial economic blockade on Lithuania, which issued the strongest declaration of the three. Mr. Landsbergis said that up to 300,000 people in Lithuania could be unemployed if the blockade continued.

Estonia and Latvia have adopted a somewhat more conciliatory strategy toward Moscow, but they fear similar economic measures.

WORLD BRIEFS

3 Die as Madagascar Quells Uprising

ANTANANARIVO, Madagascar (AP) — Soldiers stormed the national radio station on Sunday and arrested 11 dissidents who occupied the facility and broadcast that the government had been overthrown. The government of President Didier Ratsiraka denied there had been a coup.

Hospitals reported at least three people died and that 15 were wounded in fighting between the dissidents and the soldiers. The casualties appeared to take place among a crowd of 5,000 people milling in front of the Radio Madagasikara station.

The soldiers fired tear gas to disperse the crowd before storming the building, witnesses said. The dissidents claimed to be members of the previously unknown Republican Committee of Public Safety.

Ortega Says Decrees Echo Somoza

MANAGUA (Reuters) — Daniel Ortega Saavedra, the former president, has charged that the government of Violeta Barrios de Chamorro is bringing back the policies of General Anastasio Somoza Debayle, who was overthrown in the Sandinista-led revolution of 1979.

Citing decrees suspending Nicaraguan civil service law and allowing expropriated farmlands to be cultivated by their former owners, Mr. Ortega said Saturday that "we see in all this a *return to Somocismo.*"

Last week, Mrs. Chamorro temporarily suspended national civil service law, which officials said impeded the making of personnel changes. She also decreed that former owners of government-expropriated farmland could rent the property for immediate cultivation. A second decree said the government would review all expropriation by the Sandinistas with the aim of returning property deemed unjustifiably seized to its former owners.

Waldheim Denies Apology to Israel

VIENNA (AP) — Chancellor Kurt Waldheim, criticized by Israel, the United States and other countries for his German Army service during World War II in the Balkans, the scene of atrocities against Jews and Yugoslav partisans, has denied a published report that he apologized for misleading Israel over his service.

The Israeli newspaper Haaretz, in an interview published last week, said Mr. Waldheim had extended "his personal apology to Israel and its residents," over the issue. But in a weekend issue of Austria's mass-circulation daily Kurier, Mr. Waldheim said he never made such a statement.

He said that in answer to a question, he said nothing more than: "In case I misled my American friends because of the omission of the Balkan years, I regret this. I did not do so on purpose."

German Says Libyans Were Foiled

JERUSALEM (Reuters) — A visiting West German minister said Sunday that Bonn had thwarted covert Libyan efforts to obtain equipment for a second poison gas plant.

The West German, Lutz Stavenhagen, minister of state in Chancellor Helmut Kohl's office in charge of intelligence services, said: "We have *reason to believe that a second plant similar to Rabta* is being planned. We successfully managed to cut that part out in which German companies have been involved."

He told a Hebrew University seminar that the success was a result of stricter rules introduced since West German companies were found to have supplied parts for a Libyan factory which the West says produced mustard gas, but Libya says was for medicines. Mr. Stavenhagen said the Siemens corporation refused to ship similar computer equipment after the prospective buyer could not say where the equipment would be used. "The second factory is supposed to be built at Sebha, 650 kilometers *south of Tripoli," the minister said.*

37 Injured in Yugoslav Soccer Riot

ZAGREB, Yugoslavia (Reuters) — Rival gangs of Yugoslav rioting soccer fans overpowered policemen equipped with dogs, clubs and riot shields at a Zagreb stadium on Sunday before reinforcements arrived. Hospital doctors said at least 37 people, including 13 policemen, were injured, three of them critically.

Extra police officers and firemen using high-pressure hoses finally quelled the outbreak. The end-of-season match between Dinamo Zagreb and Red Star Belgrade was canceled after the rioting broke out an hour before the kick-off.

Local newspapers quoted Dinamo fans as predicting big clashes with the Red Star supporters because Dinamo failed to win the First Division league championship. Fans, many of them drunk, clashed on the streets of Zagreb on Sunday morning, breaking shop windows, overturning buses and burning a car.

East Germans Won't Try Honecker

HAMBURG (AFP) — East Germany's new non-Communist government will not bring the former Communist leader, Erich Honecker, to trial for misdeeds committed during his 40 years in power, the East German interior minister, Peter-Michael Diestel, said in an interview published here on Sunday.

"One has to accept the idea that a 77-year-old man who is seriously ill cannot be hauled before a court," Mr. Diestel said in the interview with the newspaper Welt am Sonntag.

Mr. Diestel also said he did not think that Erich Mielke, 83, the former head of the State Security Service, or Stasi, and Hermann Axen, 74, a former Politburo member, would be put on trial.

Italian Parts Linked To Iraqi 'Supergun'

Reuters

ROME — A state-owned Italian steel company implicated in the Iraqi "supergun" dispute said Sunday *that it believed components* ordered by Baghdad were for a petrochemical plant and that it had no idea they might have a military use.

An earlier part of the 4.8 billion lire ($3.9 million) order had been delivered, according to a spokesman for the Societa delle Fucine steelworks in Terni.

Italian policemen seized more than 90 tons of parts on Saturday that they suspected could make up the breech of a giant cannon capable of firing nuclear or chemical weapons several hundred kilometers.

The seizure followed the discovery in Britain, Turkey and Greece in the last month of sections of steel pipe that customs officials said could be components of a 40-meter (130-foot) gun, able to bombard Israel, Iran or Syria.

In London, a customs spokesman said that British and Italian officials would consult this week and that a British customs officer might travel to Italy to examine the seized parts.

Societa delle Fucine, which made the components, 75 tons of which were seized in the port of Naples, said they had been ordered by the Iraqi Industry Ministry eight months ago.

"The indication from the Iraqi ministry was that they were for a petrochemical plant" a spokesman said for the company said. "It did not seem possible that they could be used for any suspicious machinery."

Officials at the company, a subsidiary of the giant Italian industrial group Istituto per la Ricostruzione Industriale, said the parts were shaped like prisms, rather than the giant metal tubes that were seized in other countries.

Policemen seized an additional 15 tons of forged steel components from the Fucine steelworks, and also confiscated documents. One and a half tons of metal parts were impounded in a warehouse in the northern city of Brescia.

No arrests have been made. Investigating magistrates said they would question managers at Fucine.

Four containers holding the impounded components were guarded Sunday by paramilitary policemen in the Naples port area. The Italian merchant ship Jolly Turchese had been due to sail for Baghdad on Sunday morning with the cargo.

■ **Iraq Is Said to Seek Talks**

Caryle Murphy of The Washington Post reported from Cairo:

President Saddam Hussein of Iraq, seeking to transform his country's uneasy truce with Iran into a formal peace, has proposed direct talks with President Hashemi Rafsanjani of Iran, a Tehran newspaper reported.

Iran's acceptance of the proposal would signal a major breakthrough in resolving the conflict between the two countries, principally over the Shatt-al-Arab waterway.

A dispute over control of the strategic channel led to the devastating eight-year Gulf War between Iraq and Iran. The conflict ended in a United Nations-sponsored cease-fire 21 months ago.

The Tehran Times, a newspaper that reflects Mr. Rafsanjani's views, said Mr. Hussein's proposal, made in a letter dated May 1, indicated that "Iraq wishes to hold direct talks with Iran, but out of the framework provided by the United Nations-sponsored peace resolution, at the presidential level."

A Kuwait newspaper, As Seyassa, reported that Mr. Hussein had proposed meeting Mr. Rafsanjani in Mecca to discuss the Shatt-al-Arab *dispute on the basis of an* 1975 accord dividing the waterway down the middle.

An Iraqi deputy foreign minister, Nizar Hamdoon, called Baghdad's proposal "an opportunity for a comprehensive settlement to the border conflict."

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Bush Launches 'Citizens Corps' For East Europe

Washington Post Service

COLUMBIA, South Carolina — President George Bush has called on the nation to help complete the "unfinished business" of securing democracy across Eastern Europe by exporting both American money and the American experience with two centuries of democracy.

In a commencement address at the University of South Carolina he announced the launching of a private-sector "citizens democracy corps" to carry American expertise to Eastern Europe.

He also announced that a new line of medium-term credit had been opened by the Export-Import Bank to help Poland finance the purchase of U.S. machinery, technology and services as it tries to restructure its economy.

The democracy corps, which would get a government grant of $300,000 for start-up costs, would begin by establishing a center and *clearing-house for American pri*vate-sector assistance and volunteer activities in Eastern Europe.

MALAYS: *Faded Dream*

(Continued from page 1)

ment, anti-communism and free enterprise.

But the new emphasis has also enhanced the feeling of distance and alienation among minorities, Malays in particular.

Sinnathamby Rajaratnam, a widely respected former foreign minister, caused a ruckus in a speech to the alumni association of the London School of Economics here last month when he articulated those concerns.

He said the government's current focus on separate ethnicities was unnecessary and divisive, leading to "a hodgepodge of wary ethnic strangers."

Many Malays say the prime reason Singapore has relaxed immigration restrictions is to attract Hong Kong Chinese — that if Hong Kong were a Malay island the rules would never have been eased.

Mr. Mattar admits that "Malays are unhappy about this" but says Singapore is interested in any qualified immigrant.

Paper Reports Ceausescu Was Tortured to Death

The Associated Press

PARIS — The Romanian dictator Nicolae Ceausescu died under the torture of soldiers seeking the numbers and access codes of foreign bank accounts, a French newspaper has reported.

The weekly Journal du Dimanche quoted an unidentified Interior Ministry official as saying that Mr. Ceausescu was tortured after a tribunal secretly sentenced him to death on Dec. 25.

"Nicolae died under torture," the official was quoted as telling two Journal du Dimanche reporters. "The soldiers were trying to get their hands on three briefcases that contained the numbers and access codes of foreign bank accounts." The officer said Mr. Ceausescu had had a heart attack before giving the information.

The statements were denied in the newspaper report by Deputy Prime Minister Gelu Voican-Voiculescu, the chief of the tribunal that sentenced Mr. Ceausescu and his wife, Elena, to death. Mrs. Ceausescu was not tortured, the official said.

The report seemed sure to add to doubts about the Romanian government's official version that the Ceausescus were executed by firing squad immediately after sentencing.

FRIENDS: *Bonn Warms to U.S.*

(Continued from page 1)

Atlantic Treaty Organization allies to accept swift unity.

While Vernon A. Walters, the U.S. ambassador in Bonn, was publicly and privately advocating an accelerated timetable, Mr. Baker and Mr. Genscher developed a close working relationship that involves almost daily contacts between their top aides to fine-tune policy coordination, officials said.

As early as December, Mr. Baker said that a united Germany and other changes in Europe's political architecture could be accommodated in a new trans-Atlantic relationship in which NATO continued to handle security, the Community played a stronger role in economics and the 35-nation Conference on Security and Cooperation in Europe handled a broadening agenda with the Soviet Union.

*Both U.S. and West German of*ficials readily acknowledge that the Bonn government has a strong tactical interest in reassuring the United States about long-term intentions. But beyond tactical interests, West German appreciation of U.S. policy in the last six months could open a new chapter in relations and make the U.S.-German bond the basis for trans-Atlantic cohesion in *security and even trade issues.*

In analyzing this turnaround in relations, officials said it remained unclear whether U.S.-West German cooperation could provide a new core for U.S.-European relations. The unanswered questions include two main issues.

First, will other European governments recognize that improved U.S.-West German ties reinforce the appeal of maintaining NATO *and containing German domi*nance in Europe?

After unsuccessfully arguing that reunification should be slow, President François Mitterrand has told French voters that a unified Germany can be tamed by tighter EC integration. France seems reluctant, according to officials from smaller Allied nations, to grasp *that the Community is increasingly dominated by Germany* and that only a stronger French role in NATO can maintain France's position in Europe.

Britain, also uneasy with the idea of a single Germany, has been reluctant to accept the idea of combining closer European economic cooperation and changed arrangements in NATO to forestall the temptation for West Germans to seek hegemony in Eastern Europe.

Second, does the Bush administration have strategic goals in U.S.-German relations? Will it be able to convert its goodwill into tangible political assets?

Many U.S. officials remain wary of Mr. Genscher, fearing that his ultimate goal may be to weaken U.S. power in Europe so the Soviet Union continues to turn inward and the German role expands.

It remains to be seen whether the Bush administration will obtain reciprocity on issues such as NATO's plans to deploy air-launched nuclear missiles in Europe or diplomatic cooperation in East-West negotiations.

TRAVEL UPDATE

French ferry-strike negotiations between the National Corsica-Mediterranean Company and the Corsican Workers' Union were scheduled to begin Monday in Ajaccio. The strike entered its second week Sunday. *(AFP)*

Indonesia and the Soviet Union have signed an agreement to resume direct air service eight years after its suspension. Garuda Indonesian Airways and Aeroflot are to link Jakarta and Moscow twice weekly as of June 1. *(AFP)*

Foreigners in the southern Chinese city of Guangzhou found to have venereal disease will face fines and deportation, press reports said. *(AFP)*

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Brazil, Liberia, Malawi, Paraguay.
TUESDAY: Paraguay.
WEDNESDAY: Dominican Republic.
THURSDAY: Norway.
FRIDAY: Haiti, Uruguay.
SATURDAY: Turkey, Zaire.
SUNDAY: Cameroon, Zaire.

Source: Morgan Guaranty Trust Co., Reuters.

WEATHER

EUROPE

	HIGH C	HIGH F	LOW C	LOW F	
Amsterdam	14	57	9	48	cl
Athens	23	73	17	63	s
Barcelona	22	72	15	59	s
Belgrade	23	73	12	54	s
Berlin	19	66	12	54	s
Brussels	15	59	9	48	c
Budapest	21	70	14	57	sh
Copenhagen	15	59	9	48	r
Costa Del Sol	26	79	13	55	s
Dublin	15	59	8	46	cl
Edinburgh	13	55	8	46	r
Faro	21	70	14	57	s
Florence	24	75	14	61	s
Frankfurt	18	64	9	48	r
Geneva	23	73	9	48	s
Helsinki	15	59	9	48	r
Las Palmas	24	75	18	64	s
Lisbon	20	68	15	59	s
London	14	61	8	46	r
Luxembourg	15	59	8	46	r
Madrid	27	81	15	59	s
Milan	24	75	15	59	s
Moscow	12	54	3	37	r
Munich	18	64	7	45	r
Nice	20	68	15	59	s
Oslo	18	64	5	41	s
Paris	18	64	10	50	r
Prague	20	68	6	43	s
Reykjavik	9	48	4	39	r
Rome	20	68	12	54	s
Stockholm	16	61	2	36	r
Strasbourg	19	66	7	45	s
Vienna	21	70	14	57	r
Vienna	20	68	10	50	r
Warsaw	24	75	12	54	s
Zurich	20	68	6	43	s

MIDDLE EAST

Ankara	18	64	2	36	cl
Cairo	—	—	—	—	na
Istanbul	22	72	13	55	s
Jerusalem	21	70	11	52	s
Tel Aviv	25	77	14	57	s

OCEANIA

Auckland	—	—	—	—	na
Sydney	22	72	13	55	s

ASIA

	HIGH C	HIGH F	LOW C	LOW F	
Bangkok	35	95	27	77	t
Beijing	21	70	10	50	s
Hong Kong	28	82	24	75	r
Manila	33	91	24	75	t
New Delhi	38	100	28	82	s
Seoul	24	75	14	57	s
Shanghai	24	75	19	66	s
Singapore	34	93	26	79	sh
Taipei	31	88	23	73	sh
Tokyo	24	75	18	64	r

AFRICA

Algiers	25	77	14	57	s
Cape Town	22	72	8	46	s
Casablanca	21	70	12	54	cl
Harare	24	75	10	50	s
Lagos	31	88	27	81	t
Nairobi	25	79	14	61	s
Tunis	25	77	16	61	s

LATIN AMERICA

Buenos Aires	—	—	—	—	na
Lima	—	—	—	—	na
Mexico City	26	79	14	61	s
Rio de Janeiro	24	75	20	68	c

NORTH AMERICA

Anchorage	11	52	2	36	pc
Atlanta	26	79	16	64	s
Boston	15	59	1	52	r
Chicago	18	64	9	48	s
Denver	28	84	9	48	s
Detroit	19	66	9	48	s
Honolulu	29	84	21	70	pc
Houston	30	86	21	70	s
Los Angeles	21	70	15	59	pc
Miami	30	86	22	72	pc
Minneapolis	20	68	8	46	r
Montreal	14	61	5	41	r
Nassau	33	91	22	72	s
New York	20	68	13	55	r
Phoenix	35	95	20	68	s
San Francisco	20	68	10	50	pc
Seattle	15	59	9	48	cl
Toronto	16	61	9	48	cl
Washington	24	75	15	59	pc

cl-cloudy; fa-foggy; fr-fair; h-hail; o-overcast; pc-partly cloudy; r-rain; sh-showers; sn-snow; st-stormy.

MONDAY'S FORECAST — CHANNEL: Silent. FRANKFURT: Fair. Temps. 22—6 (72—43). LONDON: Fair. Temps. 20—6 (68—43). MADRID: Thunderstorms. Temps. 25—8 (77—46). NEW YORK: Partly cloudy. Temps. 26—12 (79—54). PARIS: Thunderstorms. Temps. 25—8 (77—46). ROME: Thunderstorms. Temps. 24—12 (75—54). TEL AVIV: Not Available. ZURICH: Showers. Temps. 20—8 (68—46). BANGKOK: Partly cloudy. Temps. 35—25 (95—77). HONG KONG: Cloudy. Temps. 28—24 (82—75). MANILA: Rain. Temps. 34—24 (93—75). SEOUL: Rain. Temps. 24—14 (75—57). SINGAPORE: Fair. Temps. 34—26 (86—77). TOKYO: Cloudy. Temps. 28—19 (79—66).

هكذا من الأصل

For Smokers, More Bad News

Life Expectancy for Men Cut by 18 Years, Study Says

By Michael Specter
Washington Post Service

WASHINGTON — Men who smoke cigarettes throughout their lives will die nearly 18 years earlier than men who never start, according to a new study of the smoking habits of all adults who lived and died in Erie, Pennsylvania, between 1972 and 1974.

The life-span difference is far greater than most other estimates of the time smoking reduces a man's life, and the study is is one of the first such attempts to catalog the effects of smoking in an entire community over a specific time period.

Earlier projections by the American Cancer Society and the U.S. Veterans Administration reported life-expectancy differences of seven to nine years between smokers and nonsmokers.

Other estimates on the time smoking takes off a person's life usually ranged between five and 12 years, depending on how much they smoked and for how long.

"The data from the present research indicate that a 30-year-old man who smokes will reduce his life expectancy, on average, by about one-fourth," wrote the authors of the study, which was published in the current issue of Contingencies, the journal of the American Academy of Actuaries.

The report directly compared people who never smoked with those who never stopped smoking.

It has never been easy to pin down how much smoking reduces the average life span because other factors can contribute to heart disease, cancer and stroke — the leading causes of smoking-related deaths.

The statistics in the latest study were adjusted to account for other causes of early death, such as homicide and car accidents.

Through interviews with relatives of 4,394 people who had died and interviews of a randomly selected group of 3,914 adults who lived in Erie from 1972 to 1974, the authors of the study were able to compare health status directly with smoking. The researchers divided the groups into smokers, nonsmokers and former smokers.

The study used population information provided by the state Health Department, as well as federal health statistics to project the average life expectancies for the different groups. The authors then compared the life-span averages with what they had discovered in their research.

"Those who do not smoke or quit smoking early can expect to live much longer than people who never stop," said an Atlanta actuarial consultant, Charles E. Chittenden, who wrote the report with G.H. Miller, the director of Studies on Smoking at the Social Security Administration, and Robert J. Myers, a former chief actuary for the U.S. agency.

As the men got older, the smokers died in far greater numbers. Among the men between the ages of 50 and 54, for example, 38 percent were lifetime smokers, meaning they started when they were teenagers; 31 percent had never smoked, and 20 percent had quit. The rest smoked pipes or cigars.

By the age of 85 only 5.3 percent of the men who were alive were lifetime smokers, while 37 percent had never smoked. Nearly 48 percent of those who were still alive were former smokers.

Resignation Highlights Tensions at Justice Dept.

By David Johnston
New York Times Service

WASHINGTON — The second-highest official at the Justice Department, Deputy Attorney General Donald B. Ayer, has abruptly announced his resignation two weeks after he was forced to withdraw a letter of support for stringent sentencing guidelines for corporations convicted of crimes.

The resignation of Mr. Ayer, after six months on the job, seems to highlight tensions within the top ranks of the department over what is seen as the rigid management style of Attorney General Dick Thornburgh. It was the latest in a series of setbacks the attorney general has experienced in filling high-profile jobs within the department.

Mr. Ayer's resignation came in a statement issued by the Justice Department on Friday.

Two weeks ago, Mr. Thornburgh seemed to undercut Mr. Ayer's judgment when the department retracted the letter of support for a set of tough sentencing guidelines after the top White House counsel, C. Boyden Gray, inquired about the department's position.

Mr. Gray asked the department about the letter in April after a meeting with business leaders who complained about the guidelines and the department's letter seemingly endorsing them.

The guidelines had been proposed by the U.S. Sentencing Commission. They would have required federal judges to impose fines on the corporations convicted of crimes, like fraud and willful pollution. The guidelines would have applied only to corporations and not to corporate officers.

The Justice Department's letter of support was sent Feb. 26 by Mr. Ayer, who said the guidelines were "urgently needed" to combat corporate crime.

After Mr. Gray called a top aide to Mr. Thornburgh, Robert Ross, Mr. Ayer wrote back to the commission at the direction of the attorney general and retracted his earlier letter, saying the issue required further study.

Mr. Thornburgh's aides said Friday that the retraction was not the direct cause of Mr. Ayer's departure, but was symptomatic of the kinds of misunderstandings that led to what some officials said was a "mutual decision" that he should resign.

The Justice Department said Mr. Ayer was leaving because he wanted to return to his law practice at the Washington office of a Cleveland law firm.

After the resignation, the White House announced that President George Bush would nominate William P. Barr to succeed Mr. Ayer. For the last year, Mr. Barr has served as assistant attorney general at the department's Office of Legal Counsel.

Greta Pratt/Reuters

Opposing views being expressed at the Brooklyn Supreme Court as juries weighed the fate of two whites charged in the death of a black.

A Quiet Mayor in New York Racial Storm

By Todd S. Purdum
New York Times Service

NEW YORK — New Yorkers once coped with a vocal mayor who took some blame for causing racial tensions. They are suddenly grappling with a quiet mayor who is taking some blame for not doing more to ease those tensions.

Faced with a spate of racially charged incidents, Mayor David N. Dinkins has been confronting a test of the image that helped elect him as New York's first black mayor — that of a healer who could hold together the fractious city that he calls a gorgeous mosaic.

Separate juries are weighing the fate of two white men charged in the killing of a black man last August in the Bensonhurst section of Brooklyn. And blacks in the Flatbush section are boycotting two Korean-American groceries after a race-related dispute. Mr. Dinkins is hearing criticism and conflicting advice on both subjects.

[About 15 black men shouting ethnic slurs attacked three Vietnamese men whom they mistook for Koreans in Brooklyn early Sunday, leaving one with a fractured skull, United Press International quoted authorities as saying.

[Mayor Dinkins denounced the attack and compared the victim to Yusuf Hawkins, the youth killed in Bensonhurst. "To those of you who participated in this mindless assault, I ask you: Where did you learn to hate people of a different skin color?" the mayor said.]

Former Mayor Edward I. Koch, as well as the Brooklyn judge presiding over the grocery dispute and a range of others, has questioned the tone Mr. Dinkins has set, saying that he should have been more vocally and visibly involved.

Responding to this criticism, the mayor made a televised appeal Friday for racial unity and public order. His remarks were carried live from the City Council chamber on almost every commercial station.

The mayor said unequivocally that he was prepared to mediate the boycott. He urged the parties "to settle this, and to settle it now."

"We gather tonight," he said, "here at the seat of government, to reaffirm our commitment, to renew our mission and to reassert a simple truth: All of us want to live out lives in peace and dignity, free to walk any street and shop in any store, at any time, in any neighborhood, without fear of force or violence."

Some of those who had criticized him most harshly said the mayor's speech was, in the words of the Reverend Calvin O. Butts 3d, pastor of the Abyssinian Baptist Church in Harlem, "exactly the kind of strong message that should have been delivered months ago."

Still, one of the mayor's aides said after the speech, "What comes next is what matters, and there's an issue at hand. We'll see if he can settle it."

How best to do that remains in doubt. In his speech, Mr. Dinkins said he would press for a series of measures: to stiffen hate-crime penalties, foster tolerance, teach merchants about consumers' rights and help small businesses.

Mr. Koch praised the speech and said Mr. Dinkins had "a more indirect style more acceptable to some people than mine, and I hope in this case it has greater success than a more direct one that some of us were urging."

Colombian Car Bombs Kill 26

Compiled by Our Staff From Dispatches

BOGOTA — Three car bombs thought to have been planted by Colombia's warring drug networks killed 26 people and wounded 178 in the capital and the southern city of Cali, officials said Sunday.

A national police spokesman said that 17 people died from two car bombs that exploded simultaneously Saturday at shopping centers in Bogotá. Nine people died when a car bomb exploded outside a crowded restaurant in Cali.

No one took responsibility for the bombs, but drug traffickers have threatened such bombings in the capital as part of their war against the government.

The attacks were the worst in Bogotá since a bus bomb on Dec. 6 killed 62 people and wounded about 1,000.

Colonel José Camilo, commanding the cleanup operation at the Niza shopping center, said the attack was the work of "narco-terrorism." His troops searched adjacent neighborhoods for two men who reportedly parked the explosives-laden car in front of the center and then fled on foot.

That blast, in the parking lot across from the new three-level mall, destroyed at least 41 cars and damaged 16 stores and residential units, Colonel Camilo said. *(UPI, WP)*

■ Israel Faults Sanctions

Israel called Colombian diplomatic sanctions over reported sales of Israeli arms to drug traffickers unjustified and said Sunday that it was working to end the dispute, Reuters reported from Jerusalem.

After Colombian police found hundreds of Israeli-made guns on the farm of a dead drug baron, Bogotá said Friday that it would revoke 1962 and 1966 agreements allowing Israelis to visit without visas.

"We regret the Colombian government decision, which we think is neither right nor justified," a Foreign Ministry official said. "We will remain in contact with the government in order to resolve the issue."

TV Ads Pulled Over Salvador Spots

New York Times Service

NEW YORK — Procter & Gamble Co., the nation's largest television advertiser of packaged goods, has pulled its advertising from a Boston television station because it broadcast commercials saying that buying the company's Folgers coffee helps bring "misery, destruction and death" in El Salvador.

The station said the company had been spending $1 million a year on air time with it.

Procter & Gamble said its policy of withdrawing commercials would apply to any newspaper, magazine or broadcast station that singles out its products in such advertising.

The company is the target of the commercials because Folgers is partly made with Salvadoran beans. The political advocacy group that made the commercials, Neighbor to Neighbor, has charged that these exports indirectly help rightist Salvadoran death squads by enriching the wealthy growers who, it says, subsidize the squads.

On Wednesday and Thursday, WHDH-TV, Boston's CBS affiliate, ran two 30-second Neighbor to Neighbor commercials advocating a consumer boycott of Folgers and other coffee brands.

Narrated by the actor Edward Asner, the commercials call for an end to U.S. military aid to El Salvador, they name Folgers, and close with an upside-down coffee cup pouring blood.

A company spokesman said the "highly offensive" commercials unfairly singled out Folgers and that their airing created an undesirable advertising environment. On Thursday, P&G decided to withdraw all advertising from WHDH-TV.

TODAY'S BUSINESS FINDING:

Those with a yen for business stay with us in Shinjuku.

THE HYATT TOUCH

CENTURY HYATT TOKYO

AMERICAN TOPICS

Teaching Policemen 'Verbal Judo' Skills

"The most dangerous weapon we all own," George Thompson says, "is a cocked tongue." Mr. Thompson, 48, has given his four-day course in using the right words at the right time to 40,000 law enforcement officers from Pennsylvania to Hawaii.

He taught English at Emporia State University in Kansas for 10 years, served as an Emporia policeman for eight years, then founded his Verbal Judo Institute in Albuquerque, New Mexico. "Law enforcement work is 97 to 98 percent verbal interaction," he says.

His list of "five things police officers should never say," and what to say instead, as reported by the Los Angeles Times:

- **Come here.** "A vaguely threatening phrase." Instead, say "Excuse me, I need to chat with you a second."
- **Calm down.** "Use a calm face, calm demeanor and say, 'It's going to be all right.'"
- **What's your problem?** "Nonhelpful," because "it turns everything back on the person needing help." Instead, say "What's the matter?" or "What specifically could I do to help you?"
- **Be reasonable.** "Nobody walks around thinking he's not reasonable enough." Instead, say things like "Let me see if I understand your position."
- **Don't you know any better?** "You're saying, 'Don't you know anything, stupid?'" Instead, say, "I know you better than that. What really happened?"

Short Takes

Black activists want to restore the decrepit Audubon Ballroom in upper Manhattan where Malcolm X, the civil rights leader, was shot and killed, apparently by members of a rival faction, 25 years ago.

Columbia University wants to tear the building down and build a medical research center which, The New York Times says, would provide jobs and health care in the largely black neighborhood. Both sides are studying how the two goals can be reconciled.

Sharks are threatened by even tougher predators — people. Sharkfin soup has long been an oriental delicacy, and now shark is found on more and more American menus, seriously depleting the population, according to the National Marine Fisheries Service. It plans to limit the number of sharks that can be taken within 200 miles (325 kilometers) of the Atlantic and Gulf coasts.

Helmets for both child and adult bicyclists have been decreed by Howard County, Maryland, between Baltimore and Washington. Bicycle industry groups say the law is the first of its kind in the country. They contend that riders will either ignore the law or give up bicycling. Violators can be fined up to $50 for a first offense and $100 thereafter. Nearly three-quarters of all bicycling deaths are from head injuries; one study showed that helmets can reduce the chance of head injury by 85 percent.

About People

Free after over three years of captivity as a hostage in Lebanon, **Robert Polhill** found that he had been dropped from the rolls of the American Institute of Certified Public Accountants for nonpayment of dues. The organization, which represents 296,000 accountants, moved quickly to restore full membership rights. In a letter to Mr. Polhill, it said the termination "was triggered by computer at a time when we were unaware of your personal situation." His membership has been reinstated, the institute said. And, to make amends, he has been exempted from paying next year's dues.

Eva Gabor, who lives just a few miles from her sister Zsa Zsa, says she's always getting mixed up with her more notorious sibling. Witnesses last fall in Zsa Zsa's trial for slapping a policeman said they recognized her from a television show that actually had featured Eva. "Why should we be linked together, dahlink?" Eva, 69, said in a recent interview. "That annoys the hell out of me. We have very different lives and what is white for her is black for me. Of course, she's my sister and I love her," but "it's awfully boring to be called the 'good Gabor.'"

Arthur Higbee

Charles Farrell, 88, Dies, Actor in Films and TV Series

New York Times Service

NEW YORK — Charles Farrell, the gentle-mannered actor whose career spanned four decades, ranging from silent films to talkies to the 1950s television series "My Little Margie," died on Sunday at his home in Palm Springs, California. He was 88.

An athletic 6-footer, he gained fame as the romantic lead in "Seventh Heaven" (1927). The Times critic Mordaunt Hall said that he was "splendid" in that role, playing opposite Janet Gaynor.

Mr. Farrell and Miss Gaynor then co-starred in a series of other film romances. For seven years they were movieland's leading on-screen romantic couple.

In television he turned to comedy, starring as a widowed father in more than 100 installments of "My Little Margie."

Misha Raitzin, 59, Metropolitan Opera Tenor

NEW YORK (NYT) — Misha Raitzin, 59, a tenor who sang with the Metropolitan Opera, died of a lung aneurysm at his Manhattan home on Wednesday.

Born in the Ukraine in 1930, Mr. Raitzin studied voice at the Moscow Conservatory and became a leading tenor with the Bolshoi Opera.

He immigrated with his family to Israel in 1972, where he sang with the Tel Aviv Opera and the Israel Philharmonic under Zubin Mehta. He made his Metropolitan Opera debut in 1974 as Dimitri in Mussorgsky's "Boris Godunov."

■ *Other deaths:*

Leila Hoss, 61, the wife of Prime Minister Salim Hoss and a social worker who cared for Lebanon's orphans and elderly, at American University Hospital in Beirut on Saturday of lung cancer. *(AP)*

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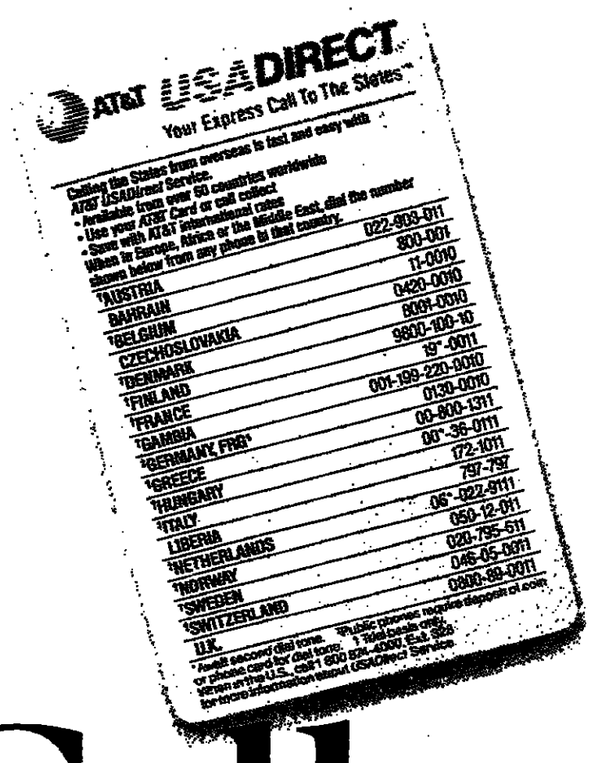

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Hundreds Missing After India Cyclone

Reuters

MACHILIPATNAM, India — Survivors of the worst cyclone to hit the east coast of India in more than a decade searched Sunday for hundreds, perhaps thousands, of missing friends and relatives.

Four days after the cyclone struck the Andhra Pradesh coast with winds of 145 miles an hour (240 kilometers an hour), flattening nearly everything in its path, state officials said the death toll had risen to 429. Reports of more deaths came in as relief workers reached marooned villages.

"Yerumndi had a population of 6,000 people and it's been completely wiped out," said Ramesh Babu, a resident of the port of Machilipatnam at the heart of the disaster area. "I fear most of them have perished. They did not want to evacuate."

Machilipatnam, where 200,000 live, and its surrounding villages were devastated by a 1977 cyclone that killed 10,000 people, the worst on record in India.

In the latest storm, tidal waves more than 20 feet (six meters) high surged 10 miles inland, sweeping away mud-hut villages and causing massive flooding that has isolated tens of thousands of people.

Helicopters began dropping food and drinking water Saturday to the 1,400 villages marooned by floods or cut off by fallen trees and power lines. Earlier attempts at air drops were canceled because of high winds and heavy rains.

Relief officials said Sunday that 400,000 people had been evacuated and that about six million were in need of relief supplies. The most pressing need in the coastal towns is clean drinking water.

Bloated and blackened corpses float in filthy flood waters. Dogs, cattle and other farm animals lie dead on the high ground, covered with feeding vultures.

Officials in Hyderabad, state capital of Andhra Pradesh, said cholera and typhoid fever posed a serious threat.

Losses in the rich farmlands producing rice, sugar cane and fruit will amount to $300 million, according to the chief minister of Andhra Pradesh, Chenna Reddy.

ARMS: *U.S. Doubts Over Summit*

(Continued from page 1)

chemical arsenal from 50,000 tons of poison gas to 500 tons.

"We have no real idea just how much pressure he is under," a senior administration official said. "For all of the *glasnost* and democratization and *perestroika*, we know as little today about high politics in the Soviet Union as we did in the Brezhnev regime."

The Bush foreign policy team began to have serious doubts about Mr. Gorbachev's intentions and room for maneuver in April. These doubts arose after a meeting in Washington at which the Soviet foreign minister, Eduard A. Shevardnadze, sought to reopen a number of key arms-control issues that the U.S. side thought had been resolved during Mr. Baker's previous visit to Moscow in February, and to introduce new issues that had not been on the table before.

In the April meeting, State Department officials said, Mr. Shevardnadze clearly took a back seat to Soviet military officials in his delegation when arms control was discussed, and since then Mr. Gorbachev seems to have gone out of his way to behave in a conciliatory manner toward the army.

He even promoted the defense minister, General Dimitri T. Yazov, to the honorific rank of marshal after declaring four years ago that no one else would ever be elevated to such status.

Speaking of where the Soviets were in February on many of the important arms-control issues and where they are today, a senior administration official said:

"The Soviets are going to have to march back a long way, and we are going to have to spend a lot of time on these issues. I think that this trip will be an important bellwether of the extent of the constraints on Gorbachev."

Administration officials say U.S. intelligence agencies and government experts on the Soviet Union have at least four different explanations of Mr. Gorbachev's recent behavior and hope that this trip will help them determine which is correct.

The first explanation, a senior official said, "is that the military complained that they were being excluded from the arms-control negotiations and that the civilians had made a bad deal. So Gorbachev said to them, 'You think you are so smart, you run the deal.'"

The army negotiators, however, were unable to get the U.S. side to accept their demands. Since then, Mr. Baker and Mr. Shevardnadze have been exchanging proposals through diplomatic channels and in one brief encounter last week in Bonn on how to overcome the main arms-control disputes still outstanding.

These remaining disputes are over how to limit air- and sea-launched nuclear cruise missiles and long-range bombers covered by the proposed START treaty; how to limit conventional fighter-bombers covered by the pending conventional arms reduction treaty in Vienna, and whether the United States and the Soviet Union should be allowed to keep small stockpiles of chemical weapons even after the signing of an international treaty banning poison gas.

The second explanation of Soviet conduct, the senior official said, is that Mr. Gorbachev "sees the nationalities problem exploding and the very real possibility of significant domestic unrest — strikes and so forth in the next few months."

"He sees just how much he is going to need the army," the official said. "So he promotes Yazov to a marshal, makes several nice speeches about the military."

By this analysis, the official added, Mr. Gorbachev has concluded that "it is more important to know that when he beckons the army will come than it is to ice a deal with George Bush."

A third explanation, the official said, is that the Soviet governing system is in such a state of flux — with the Communist Party weakening and new, but still undefined, power centers emerging — that all forms of authority other than Mr. Gorbachev himself have been frayed.

In this analysis, Mr. Gorbachev is being inundated with thousands of small decisions every day, and may simply have not had the time or energy to focus on the arms-control agenda, and will now.

A fourth explanation, another official said, is that "everyone is over-psychoanalyzing Gorbachev, and building far more complex theories about what is going on than is reality."

The reality, he added, is that "this is the end game in the arms-control negotiations, and there is always tense jockeying over the final compromises. The military has always had a strong influence in Soviet arms-control policy. That is nothing new."

As a Soviet affairs expert at Massachusetts Institute of Technology, Stephen M. Meyer, argued in a recent article, "We have become too used to an overly compliant Gorbachev regime, one that seemed prepared to fulfill our every wish.

"When at last we are confronted with Soviet policies we do not like, we hunt for dark forces that are gaining sway over the the forces of good. But we are only fooling ourselves. Mikhail Gorbachev is going to pursue policies that he believes to be in the best interests of his country — not ours."

Proponents of this last theory say Mr. Gorbachev may be trying to exploit Western concerns over his political health precisely to squeeze more out of Washington at the negotiating table.

U.S. to Pay AIDS Victim, 12

New York Times Service

PROVIDENCE, Rhode Island — The U.S. government has been ordered to pay more than $1 million to a 12-year-old boy who contracted AIDS from blood transfusions after a 1983 tonsillectomy at a navy hospital. It was ruled that the boy's post-operative treatment had been neglected, and that this created the need for the transfusions.

MANILA: *2 Servicemen Are Slain*

(Continued from page 1)

head outside the Subic Bay Naval Base near the western city of Olongapo.

Before Sergeant Fredette's assassination, at least seven and possibly eight American deaths in the Philippines have been attributed to the Communists. The latest deaths, including Sergeant Fredette's, would bring the toll to at least 10 Americans slain since October 1987.

The slayings on Sunday was eerily reminiscent of a similar shooting in September, on the eve of a visit by Vice President Dan Quayle.

In that incident, Communist rebels with automatic rifles gunned down two civilian contract workers employed by the U.S. Air Force as they were driving through the southern municipality of Capas.

The September slayings and the shootings on Sunday seemed to have been timed to embarrass the government of President Corazon C. Aquino on the eve of visits by high-ranking U.S. officials.

The main target for what was apparently a Communist "message" on Sunday appeared to be former Assistant Defense Secretary Richard L. Armitage, the chief U.S. negotiator in the talks over the future of Clark, Subic and four smaller U.S. military installations in the Philippines. The lease on the U.S. bases expires in September 1991.

The talks are expected to be acrimonious, but American officials say they are confident that they will be able to reach an agreement to guarantee a continued U.S. presence in the Philippines, at least until the end of the century.

But the American officials said that increasing Philippine nationalism and a shift in U.S. congressional attitudes over the cost of maintaining overseas bases might mean that the next bases agreement would contain some kind of provision to "phase out" or scale down the 40,000 U.S. personnel now living in the Philippines.

The United States has served notice that it is unable to pay more than the $481 million annual allotment it now provides for the bases.

But to assuage Philippine sensibilities over the bases issue, the United States is expected to propose more "joint use" of the bases, such as allowing part of Clark Air Base to be turned into a civilian cargo airport.

Tax Hike Trade-Off Weighed

Darman Wants Tight Controls

By John E. Yang
Washington Post Service

WASHINGTON — Increasing White House control over federal spending is the price lawmakers should have to pay for any tax increase, the White House budget director, Richard G. Darman, said Sunday.

Mr. Darman was speaking ahead of emergency deficit-reduction talks between President George Bush and congressional leaders that open Tuesday at the White House.

The talks have provoked sharp debate, both because of Mr. Bush's campaign pledge not to raise taxes and Democratic fears that the negotiations are a political trap.

Mr. Darman said on ABC News that "If we don't get significant budget process reform," there was no doubt that the money from higher taxes would be spent. "It wouldn't reduce the deficit," he said.

Among the changes Mr. Darman said he wanted were allowing a president to strike individual spending items in an appropriations bill without having to reject the entire measure, and strengthening the Gramm-Rudman budget law's restrictions on spending.

The law requires the deficit to drop to $64 billion next year. Mr. Darman has told the president that the short-fall will be $60 billion to $100 billion more than that if no further action is taken, triggering automatic across-the-board cuts in government programs.

Many Republican congressmen have said that a constitutional amendment requiring a balanced budget should also be included in the list of changes.

But the chairman of the House Budget Committee, Leon E. Panetta, Democrat of California, said Sunday that reforming the way spending decisions are made would not substitute for the necessary political will.

"I've never seen a process change that replaces the courage and guts you need to make the right decisions on deficit reduction," Mr. Panetta, one of the congressional negotiators, said on CBS News.

"The first thing we need to do is make those tough choices," he said, "then I'm happy to talk about process changes."

On Friday, Mr. Bush compared the coming budget negotiations to a political poker game and declared, "I'm not going to show you my hand in advance."

Mr. Bush's comments on the budget talks were his first since May 6, when he called for a budget summit meeting and opened the door to the possibility of tax increases as part of a deficit reduction agreement.

The president repeated Friday that he would not reject in advance any possible solution to the deficit problem.

But he said he also would not address the question of whether he has privately ruled out tax increases going into the talks, as his chief of staff, John H. Sununu, suggested last week.

Asked about the uproar among Democrats because of Mr. Sununu's comments, Mr. Bush shrugged it off with a precept he said came from his mother: "Tomorrow, there will be another tidal wave. Keep your snorkel above water."

Mr. Sununu, on NBC News, said the talks between Congress and the administration were necessary because of "the failure of the leadership in Congress to be able to move the budget process forward."

In fact, the House of Representatives approved its version of a fiscal 1991 spending plan nearly two weeks ago and another budget resolution has been pending in the Senate since early this month.

Where President Ronald Reagan used to criticize lawmakers for not simply accepting his budget proposals, Mr. Bush's chief of staff voiced the opposite complaint.

Mr. Sununu, a member of the administration's bargaining team, said, "The failure of Congress to do any constructive revisions in the five months since the president sent his budget up is part of the problem we have."

Reinhard Krause/Reuters

Johannes Rau, the Social Democratic candidate, right, greeting journalists Sunday at the North Rhine-Westphalia parliament in Düsseldorf after being re-elected premier of the industrial state.

VOTE: *Kohl's Party Has Setbacks in 2 State Elections*

(Continued from page 1)

won 6 percent to concede about one point, the Social Democrats would take over the majority in the Hannover state assembly, the projections showed.

"I am happy," said the Social Democratic challenger, Gerhard Schröder, who had lost narrowly to the Christian Democratic premier, Ernst Albrecht, four years ago.

The projections showed that Mr. Albrecht, whose 14 years in office were marred by political scandals, would win 41.4 percent, down 2.9 points. His coalition allies, the liberal Free Democrats, won 6.2 percent, about the same as before.

Mr. Albrecht suggested on television that a Social Democratic campaign warning against the high costs of reunification had paid off for the opposition. He characterized the result as a "victory for selfishness."

According to the projections, the Social Democrats and the Greens will have an 80-to-75-seat majority in the 155-seat Hannover state assembly and will rob Mr. Kohl of his majority in the Bonn Bundesrat, or upper house, which has 45 seats.

Mr. Kohl's Christian Democratic Union and its sister party, the Christian Social Union, control five states, with 23 Bundesrat votes. The opposition Social Democrats hold the other five states, with 18 votes. The Social Democrats' Lower Saxony victory will give them a majority in the Bundesrat, enabling them to block legislation.

The projections on North Rhine-Westphalia indicated that the Social Democratic premier, Johannes Rau, who has governed for 12 years, would retain his absolute majority in the Düsseldorf state assembly. He won 50.6 percent, down 1.5 points from 1985, the projections showed.

"Johannes Rau has won. I have lost," said Mr. Rau's Christian Democratic challenger, Norbert Blüm, labor minister in Mr. Kohl's cabinet.

The Christian Democratic Union won 36 percent, down 0.7 points; the Free Democratic Party got 5.6 percent, also down slightly.

The Greens captured 5.2 percent, to overcome a 5 percent barrier for representation in the state parliament, the projections showed.

USAir Jet Forced to Land After Muffins Catch Fire

United Press International

NEW YORK — A USAir jet made an emergency landing at LaGuardia airport on Sunday after muffins that were being warmed in the galley caught fire, authorities said.

The fire was extinguished before the Boeing 727 landed. No injuries were reported, said Steven Russell, a spokesman for the New York Port Authority police.

"It seemed they were cooking up some muffins, and I guess they put it on high and four or five muffins caught on fire," said Sergeant Dominick Lorenzino, a Port Authority policeman.

Passengers were not evacuated, and the flight continued to Pittsburgh.

"You could tell what type of smoke it was," Sergeant Lorenzino said. "People were pretty much calm. They knew exactly what it was."

PENTAGON: *Proposals for Cuts*

(Continued from page 1)

response to Soviet military expansion under Leonid I. Brezhnev, the Soviet leader at the time.

It is clear from a review of classified documents submitted to Mr. Cheney's office by the service chiefs that the military leadership employed a mixture of resistance, resignation and, in some cases, creativity in confronting this first year of major military spending cuts since the Berlin Wall came down.

The navy, for instance, has agreed to cut the number of aircraft carrier battle groups from 14 to 12, end the Trident program with 18 submarines, stretch out major new attack submarine and destroyer programs and cut the Marine Corps from 197,000 to 159,000 troops.

But a strongly worded cover memorandum from the secretary of the navy, H. Lawrence Garrett 3d, to Mr. Cheney states, "As I have discussed with you and the deputy secretary, the naval force structure best suited to perform reliably our enduring missions of strategic deterrence and maritime superiority in the coming decade is centered on 14 aircraft carrier battle groups, three fully manned Marine expeditionary forces, and 21 Trident."

In contrast, the army document points out that by 1997, army leaders will have scaled down their forces to the lowest level since 1948. Of the 200,000-troop cut in the force, 80,000 will be by "involuntary" retirement.

"They still are not coming down far enough," a House Armed Services Committee staffer said, adding, "but I have a lot of respect for the army." He noted that of the four services, the army had engaged in the most realistic planning to make dramatic manpower reductions.

In recommending the deferral of key strategic missile programs, the air force secretary, Donald B. Rice said, "Given fiscal constraints and the lower likelihood of a crisis that could tempt the Soviets to escalate to strategic nuclear weapons, deployment of the mobile missile programs can be deferred with acceptable risk."

He also said the air force planned for "moving toward a single warhead, silo-based force" for its intercontinental ballistic missiles.

The air force will also cut eight tactical fighter wings and cut back to 1,000 missiles from 1,500 the production of advanced Stealth cruise missiles. In his memo to Mr. Cheney, Mr. Rice warned that the reductions "have forced us to accept increased risk in many areas."

The documents indicate that while the military is engaged in a major reduction, the services have examined themselves in traditional and parochial terms. This method of review has thus far not achieved the kind of across-the-board, fundamental restructuring advocated by many military planners, experts and congressional leaders.

The Pentagon documents, entitled "program objective memoranda" for 1992-97, are the military's response to instructions from Mr. Cheney last fall to cut $180 billion from future spending plans, as military budgets in the 1990s are projected to decline about 2 percent a year. Many members of Congress want a decline of 4 to 5 percent a year.

General Colin L. Powell, the chairman of the joint chiefs of staff, who will give Mr. Cheney his own analysis of the service plans, signaled in a recent interview that the military leadership had more work to do in re-evaluating all facets of its overall mission, future employment and the potential threats for which it must be prepared.

Mr. Cheney, General Powell and other senior Pentagon officials will review the service plans through the summer, when military chiefs will have the opportunity to appeal some of the cuts they were forced to recommend to meet reduction targets set by Mr. Cheney in February.

GRAVES: *Israel Desecration*

(Continued from page 1)

he is reportedly seeking the post of minister of police.

Incidents of desecration of Jewish cemeteries in Israel have been relatively rare, security officials said. Although Arabs in the occupied West Bank and Gaza Strip have been battling the army with stones and firebombs in the 30-month-old uprising known as the *intifada*, the most common nationalist attacks inside Israel have involved the burning of national forests.

■ Ceremony in France

France's interior minister, Pierre Joxe, led a delegation that included three other cabinet ministers wearing skull caps in solidarity with Jewish residents of Carpentras, news agencies reported Sunday from the village in southern France.

The congregation of about 10,000 included Catholic bishops and Muslim imams; the Communist Party and the main center-right opposition parties all sent representatives.

"We must protect France from racism and the dangers of forgetting," Mr. Joxe said.

The solemnity there contrasted with a charged atmosphere in Paris, where police used clubs to separate demonstrations of Jewish and extreme-right youths who confronted each other at Notre Dame Cathedral. Jewish militants also clashed with skinheads outside the Madeleine Church.

The far-right National Front has been blamed for creating a climate conducive to the Carpentras incident because of its anti-immigrant stance and anti-Semitic statements by its leader, Jean-Marie Le Pen, who has denied Front involvement at Carpentras.

Anti-racist groups, trade unions and political parties planned to rally Monday in Paris. *(Reuters, AP)*

SOVIETS: *In Desperation, Gorbachev Moves Toward a Free Market*

(Continued from page 1)

the availability and quality of what consumers can buy in various countries.

It estimated that the Soviet consumer lives 32 percent as well as an American, on a par with Mexico or Portugal. Other economists, Soviet and Western, say the level is even lower, perhaps 20 percent. The contrast is a demoralizing shock to Soviet travelers when they use the greater freedom Mr. Gorbachev has given them to travel abroad.

This is the story of how the Soviet leadership arrived at its choice for a market-oriented economy, and the passionate debate over where it might lead. It is based on the accounts of Soviet politicians, economic managers, journalists and consumers, but most of all on interviews with the tribe of economists who have been Mr. Gorbachev's tutors, critics, and his anguished fellow students.

Most agree that the tottering economy is the universal ailment that connects most of the crises bedeviling the Soviet leadership. Economic failure has undermined Mr. Gorbachev's authority, given rise to angry populist opposition forces and encouraged many thousands of citizens — not to mention several whole republics — to seek better lives elsewhere.

When Mr. Gorbachev came to power five years ago, he was aware at least in general terms of the failings of the economy. As the party official answerable for the economy, he reportedly commissioned the now famous "Novosibirsk Report" by the sociologist Tatiana I. Zaslavskaya, which outlined the bleak reality behind the rosy, falsified official statistics.

In a speech to a party conference in 1984, Mr. Gorbachev was already using the code words of economic change, leading some experts to suspect that he was a secret radical from the start.

The first economic measures introduced after Mr. Gorbachev became the party leader in March 1985 were conventional attempts to tighten the bolts of the central planning machine. The slogan was "acceleration," meaning the same old plan, but with gusto.

Prodded by more orthodox disciplinarians in the Politburo, especially his hard-line adversary, Yegor K. Ligachev, Mr. Gorbachev waged war on slack discipline, and lost.

The draconian anti-alcohol campaign, introduced in May 1985, cut liquor store hours and raised vodka prices. Before the program was finally renounced as a blunder last year, it produced some improvements in health, but at great cost: a flourishing moonshine industry, a hemorrhage of government revenues, widespread unpopularity.

Another moralistic crusade in 1986 was a set of decrees limiting "unearned" income. It was aimed at bribery and embezzlement, but local authorities, egged on by jealous citizens, used it to shut down dealers in greenhouse vegetables and private landlords.

By February 1987, Mr. Gorbachev had evidently concluded that the problem was not merely slack discipline or the organizational chart, but the centralized system itself. Two years into his tenure, he turned his attention to breaking the back of this bureaucracy, by devolving economic power to individual factories.

In June 1987, Mr. Gorbachev, with great fanfare, introduced his first "comprehensive reform." The "law on enterprises" proclaimed that each factory and farm was to be accountable for its profits and losses, giving managers and workers an incentive to cut waste and improve quality.

Above all, the failed economic promises have devalued the authority of the Kremlin leadership.

The program moved well beyond what previous Soviet economic "reformers" had tried. But once again, Mr. Gorbachev had underestimated the ability of the system to kill change.

In this case, the murder weapon was something called the state order. Under the law on enterprises, the state could still place an order with a factory, and to insure that its orders got top priority the state kept control of raw materials.

Thus the Yaroslavl Motor Works could sell its tractor engines to anyone it wanted, but only one customer could pay for the motors with consignments of steel: the ministry. There was no other source of steel.

Vasili L. Selyunin, a writer whose forecasts of economic failure have been uncannily accurate, said the most damning indictment of the Soviet economy was the huge disproportion of money and energy poured into heavy industry — and squandered in astonishingly wasteful factories — while consumer goods get by on the leftovers.

"This kind of economy can't work for man; it can only work for itself," he said. "It produces more and more means of production, that is machines, equipment, electricity, fuel, metals in order to again use all this in the next cycle for still more production of non-consumable goods. That is, things that people can't eat."

Soviet economists who advocate change generally cite only one major success among Mr. Gorbachev's innovations so far: the legalizing of cooperatives, small group businesses that are as close as the society has yet come to private enterprise.

In the two years since cooperatives were given a legal green light, their output has grown to 41 billion rubles ($68 billion) from 300 million rubles, a 137-fold increase, and now 5 percent of the country's gross national product, according to the economist Vladimir A. Tikhonov. The number of people working at least part of their time in cooperatives has risen in two years to 4.5 million from 70,000.

The reaction has been a perverse outpouring of popular envy at the comparatively flamboyant ways of life of some cooperative entrepreneurs, and repeated official attempts to stifle the new businesses by confiscating their profits or cutting off their supplies.

For the first couple of years, the economy failed to respond to Mr. Gorbachev's schemes. And then it began to get worse.

Beginning in 1988, the money the government had pumped into the economy, including wage increases to pacify workers, far outstripped the production of goods to buy with it. Even with strict state price controls, inflation soared — some Soviet economists estimate 11 percent last year — and shortages became a constant annoyance.

"Even if the rest of the economy doesn't work well, if the consumer market works, then there's no catastrophe," Mr. Selyunin said. "The consumer market never collapsed under Brezhnev, and it held up during the first years of Gorbachev. People had money, and there were goods to exchange for that money. But in January 1988, the consumer market started falling apart."

Consumer malaise in itself is nothing new to the Soviet Union, but previous leaders could muddle through with a combination of corruption, discipline and an occasional shipload of imported oranges. Mr. Gorbachev has inherited both consumers who are harder to appease, and a backward, wasteful production system that can no longer keep pace.

Above all, the failed economic promises have devalued the authority of the Kremlin leadership. That is surely one reason that Mr. Gorbachev has not taken clear sides in the raging debate within his government over how, and how soon, to subject the country to the turmoil of the marketplace.

In the last year, the Soviet leader's speeches on the economy have edged closer to open advocacy of a market, dwelling as much on the psychology as the mechanics. He has stressed the importance of competition, the need to make farmers "feel themselves the masters" of their land, and to give workers a sense of ownership in their factories.

He pushed an ownership law through the parliament in March that, while avoiding the taboo words "private property," included enough leeway for individuals to own small businesses, and for big companies to be sold to the workers in the form of stock.

A new land law permits a family to lease its farm for life and pass it on to the children.

But Mr. Gorbachev has repeatedly recoiled from embracing the consequences of a market, declaring that his people are not ready to accept unemployment and disparities of wealth.

In December, the parliament, with meager enthusiasm, approved Prime Minister Nikolai I. Ryzhkov's "economic recovery plan," which promised a period of stabilization leading to something that might resemble a market, perhaps in 1993.

Even then, the plan seemed to be one last attempt to tinker the old system into shape. The government would "stabilize" the economy by shifting investment from heavy industry to consumer products and by reducing budget deficits to curb inflation.

After four successive months of dismal economic reports, in which the money supply continued to expand and consumer goods fell halfway short of their targets, Mr. Ryzhkov's program has already been disowned, and the policymakers are at war over what will replace it.

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9 Obey a red light
13 Sea eagle
14 Strainer
15 Swift mammal
16 Evaluate
17 Wrath
18 Draft animals
19 He wrote "Arrowsmith"
22 Parseghian of coaching fame
23 Doorframe part
24 "Hamlet" is one
28 Lowest points
32 Start afresh
33 Actress Burstyn
36 Gypsy boy or man
37 Sleeping
38 René ——, film director
39 Half: Prefix
40 Demand for payment
41 Wife of Menelaus
42 Last
43 High regard
45 Effeminate
47 Regional
50 High pitch, in music
51 He wrote "The Jungle"
56 Leg joint
57 Lhasa is its capital
58 Hammer or saw
60 Roman road
61 Noble British family
62 And others: Abbr.
63 Thatcher is one
64 Remove
65 Dupin's nom de plume

DOWN

1 "He was —— man . . ."
2 Historic periods
3 Oppositionist
4 Adolescent
5 Actress Lollobrigida
6 —— Philbin, TV host
7 Prevent
8 Resident of an undivided city
9 Exhibited
10 What is so hopefully hailed in N.Y.C.
11 Mine finds
12 Write
14 Waldorf, e.g.
20 Gang
21 Verve
24 Barter
25 Picture puzzle
26 Concerning
27 Shout
29 Greek goddess of peace
30 Cicero or Nero
31 Photographer's request
34 New Guinea port
35 Queue
38 Bound together
39 Gives orders
41 Kind of sandwich
42 Occupy
44 Diner
46 Covenants
48 Apart from
49 Slander's cousin
51 "Render therefore —— Caesar . . .": Matt. 22:21
52 Equal
53 Hawaiian goose
54 Jot
55 Horse color
58 Outfit
59 Legal deg.

Solution to Friday's Puzzle

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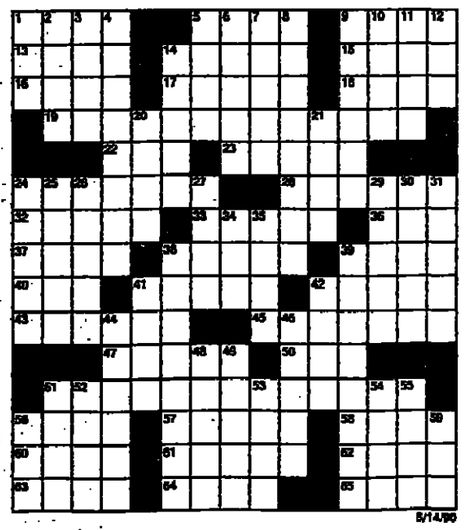

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All Those Soviet Missiles

The Soviet Union is now utterly distracted by immense, long-suppressed internal problems, but it preserves and is apparently modernizing its enormous strategic forces. This creates difficult choices for the West as it struggles to define military security in Europe at the moment when the division of Europe and Germany is ending. the Kremlin is slashing its conventional and tactical nuclear forces in Eastern Europe and the Warsaw Pact is disintegrating. Should the West accept the "denuclearization" of Europe, that is, the removal of American nuclear weapons stationed in and around the Continent? If not, how should it proceed?

In a sense, the United States preempts the heart of these questions by declaring at the outset that European stability compels an American military presence and that such a presence compels an "appropriate mix" of conventional and nuclear weapons. At a moment when the future of Soviet reform is up for grabs and Europe is consumed by the business of healing its historic divide, this is a necessary and responsible assertion. It leaves blanks, which NATO is to start filling in soon in the strategic review proposed by President Bush.

To buy time and political space for this review, Mr. Bush has moved to meet the anxieties about the American nuclear factor that are stirring sectors of European (and American) opinion. For instance, he has canceled plans to modernize short-range nuclear missiles and nuclear-tipped artillery in Western Europe. He has otherwise prepared the United States for both unilateral and negotiated nuclear and conventional fixes on both sides of the old East-West line. The nuclear part of the sorting could take years to be done right.

More than diplomatic agility and patience, however, is going to be required. There is a deeper need to explore the new quality of security. While either great power maintains a strategic nuclear force, the other will want to ensure confidence in deterrence. The challenge here is greatly to lower the levels of cost and risk. The real intellectual and political difficulty may come in Europe, where a sharply declining fear of military threat must be set against a more quiet but abiding sense of novel and uncertain political circumstances.

To cope with these circumstances, each of the big nuclear powers must show a mature empathy for the other's misgivings, political as well as military. As the sole power still to lead an alliance, the United States cannot ever stop consulting with its allies. It also has to find ways to share the benefits of stability with the now-friendly East Europeans and, as they churn through the turbulent process of defining their new identity, with the Soviets as well. The vigilance central to the old alliance style is not out of date, but to it must be added the new flexibility required by the changing nature of world politics.

— THE WASHINGTON POST.

Computers and More

This is the first of two parts.

Japan's Fifth Generation Computer project, now in its ninth year, has met so few of its vaunted goals that Japanese officials are now plotting another course toward achieving superiority in advanced computers. Observers who scoff at industrial policy can cite this as another failure of government attempts to pick winning technologies. Yet the opposite lesson is correct.

For it is by just such methods that Japan has built from scratch a world-class computer industry that may soon overtake America's — methods that Americans would do well to scrutinize.

The Fifth Generation project was designed to develop computers capable of translating languages and understanding speech. It has failed to do that. But it has succeeded in other ways, like creating a large corps of computer researchers in Japan.

Far from cutting its losses, Tokyo is continuing the project, but it now has embarked on another huge initiative — an industrial effort to master the computing architecture known as parallel processing. The fizzling of the Fifth Generation project, even after an investment of $250 million, is insignificant in the context of Japan's larger strategy.

High on skilled people and low on natural resources, Japan's leaders decided in the 1950s that they wanted a computer industry. Instead of waiting for the market to create one, Japan set out to do so itself.

Tokyo's building blocks were companies supplying electrical equipment to the telephone system, like NEC, Hitachi and Fujitsu. Japan's industrial policy agency, MITI, created a demand for their computers by forbidding imports of similar machines. IBM was allowed to set up a wholly owned subsidiary in Japan but, as Ezra Vogel recounts in his book "Comeback," MITI prevented it from producing computers competitive with Japanese models. Within these protective walls, MITI was careful to ensure that its fledgling computer companies competed fiercely. At the research level, it also subsidized cooperative ventures designed to close the technology gap with IBM.

For years these efforts failed. When IBM introduced the 360 series in 1964, it widened its lead. The 370 series in 1970 prompted IBM's American rivals, General Electric and RCA, to throw in the towel. But MITI kept on going, learning from each failure. In 1980 its cooperative research program on computer chips struck gold by creating commercially valuable technology. This, along with plentiful capital, led Japanese chip makers to dominate the pivotal market in memory chips.

Meanwhile, American computer companies had sold too much of their technology too cheaply to Japan. NEC, Hitachi, Fujitsu and Toshiba had at last closed the gap. When MITI launched its supercomputer project to beat the American leader, Cray, Japanese companies quickly produced machines of comparable power. By 1986 the combined research budgets of Hitachi, Fujitsu and NEC were twice IBM's.

After MITI's decades of careful tending, the Japanese computer industry has grown into a colossus. It now possesses commanding strengths in memory chips, chip making equipment, flat-panel displays, laser printer engines and optical disks. By 1992, projections show, its share of the world market will have reached 42 percent, up from 10 percent in 1980. The U.S. computer industry's share, by contrast, will drop from 82 percent in 1980 to 38 percent by 1992.

"Over the past 40 years," says the president's economic report for 1990, "the world has learned that excessive government involvement in the economy leads to unsound decisions ... slows growth and costs jobs." That may be Washington's experience. But Japan's skillful bureaucrats have always followed a different philosophy. In the computer industry, they seem to have proved their case.

— THE NEW YORK TIMES.

Speed Up the Aid Train

It was January when President Bush asked the U.S. Congress for $542 million in aid to Panama, which U.S. troops had invaded to drive General Manuel Antonio Noriega from power the month before. In March he asked for an additional $300 million for Nicaragua, after the Sandinistas were driven from office in an election. It has taken the Senate much too long to get around to voting most of the money for the successor regimes that it is so clearly in the U.S. interest to support in these fragile democracies. The money is in a larger supplemental appropriations bill, and still ahead is a complex conference with the House.

You could argue that the Senate moved quickly by its standards. Maybe so, though we have seen the Senate move awfully fast on occasions when it suited it, and anyway that is not the point. This has been a churlish and grudging response to two completely justified and, in their way, urgent requests that deserved much better.

Foreign aid always has a hard time in Congress. Both the Reagan and Bush administrations have tried to give it a kind of fiscal pass to free it — on grounds that it serves a higher interest — from the competition for funds that domestic programs must endure. In this case the president proposed to finance the aid by shifting money from defense. But it seemed to Democrats that having said there was not a peace dividend, he was proposing to start spending it, but only piecemeal and on programs he liked. It also seemed to them that he was shorting the new democracies in Eastern Europe. They pressed him to lay out a worldwide foreign aid program for all to see, together with the means of financing it.

That was the right thing to ask for, but it was the wrong time to ask for it. The usual earthy and showy politics of the supplemental bill then compounded the problem. Everyone wants a ride on this bill, especially when it contains something the president badly wants, which tends to guarantee its passage. Unrelated provisions on abortion and the death penalty may now become issues.

The minority leader, Bob Dole of Kansas, remarked on the Senate floor that President Violeta Barrios de Chamorro's first term in Nicaragua "will be over before we get the money down there." It probably won't be that bad, and Republicans have helped to festoon the aid bill too. But there has got to be a better, more orderly way of requesting foreign aid as well as conferring it.

— THE WASHINGTON POST.

Other Comment

The Rules Change Slowly

Europe is edging its way toward a new concept of security. Yet we would be wise not to cast off the old one too casually. If the 20th century has taught us anything, it is that peace is not a natural condition on the European continent. Whoever rules Russia will control its armory of nuclear and conventional weapons and will need to be countered by a similar armory in the West. To say so is not to hark back nostalgically to the certainties of the Cold War, but to assert that while much has changed in Europe, the old rules of power and the balance of power have not.

— The Observer (London).

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OPINION

Perestroika: Reflections From Atop the Powder Keg

By Eduard Shevardnadze

These comments were excerpted from a speech the Soviet foreign minister gave last month in Moscow.

THIS will be a heart-to-heart talk, a thinking out loud, something very personal, deeply felt, perhaps. I wish to share with you what I have never spoken about in public, reflections on what I have succeeded in doing and what I have been unsuccessful in, on hopes unrealized and promises unfulfilled.

What will become of the party and consequently, of each of us? What position will each of us occupy as its fate is being decided? However much we ask such questions and however we attempt to answer them, the entire immense complex of them cannot shield us from the most important thing — perestroika and its life and death. The question of the party and its future is inseparable from this.

We know the results of the slogan of adherence to principle in defense of party unity. The consequences were persecution for dissidence and expulsion from party ranks and then expulsion from life; terror, mass punitive measures, the grief of families and whole peoples. The party found itself split between outwardly unquestioning obedience and inner protest and disagreement. It was from this inner protest and rejection of ingrained defects that the seeds of the policy we call perestroika began to appear. The main purpose of our party is perestroika and its success.

> ***'The belief that we are a great country is deeply ingrained in me. But great in what? Territory? Population? Arms? Or the people's troubles?'***

Let us think carefully about the fact that in dividing people into "radicals" and "conservatives" we could be repulsing or isolating loyal allies and thereby really splitting the party. With what danger is such a split fraught and who would it benefit? This is by no means a rhetorical question. I have said repeatedly that if perestroika fails, dictatorship is possible.

Manifestos have been made public, actions are being mounted. On a practical level an attack on the country's leaders is under way — not only from the left but from the right also. Regret is even being expressed that the Central Committee plenum in February did not remove certain members of the leadership, the foreign minister included.

The savage expressions of the opponents of perestroika concerning, say, me, and some of my colleagues, do not embarrass me. But there are others — millions — at whom our homemade "extremists" are striking, and it is here that it is impossible to maintain composure.

Because in appealing to the masses, who are experiencing many difficulties, and taking advantage of their unhappiness, they deliberately throw a spark into the powder keg.

No one can calculate the consequences of a social explosion capable of igniting not only befogged minds but also the giant stockpiles of nuclear and chemical weapons and nuclear power stations in zones already weakened by natural disasters and regions shaken by interethnic strife.

Increasingly, accusations are being heard of slowness, inconsistency, a lack of boldness and so forth. It is also being said that perestroika has not only revealed our inveterate ailments but has intensified them. Optimism today is not in fashion.

Many people are competing in pessimism and in making the most terrifying forecasts. I am not their partner in this. My vision of the future is optimistic, of the economic future at least. The new economic structures and mechanisms are still taking shape.

A legal base of the reforms is being created. We are faced with making an extraordinarily complex maneuver in the sphere of pricing (the most difficult, perhaps), without which a market simply will not be formed. Everyone understands that this is a painful and unpopular action, but we have to make up our minds to embark on it.

For many years heavy industry had the "green light." Perhaps this was right in its time, but it later proved too heavy for the people's well-being.

One-sided progress in arms manufacture paradoxically weakened the country's security in its most important area — the situation of the citizen. While proud of having achieved military parity with the United States, we have forgotten that we cannot yet even dream of parity in, say, disposable syringes.

Critics of perestroika are accusing us of betraying class principles. Meanwhile, the "class enemy" is supplying us with these same syringes, antiburn equipment, prosthetic appliances and wheelchairs, and sending doctors and bone marrow.

I do not wish to remind you of the earthquake in Armenia, when we all, on both sides, remembered that we are simply people, members of a single worldwide, universal civilization. Perestroika has restored our humanity.

The belief that we are a great country and that we should be respected for this is deeply ingrained in me, as in everyone. But great in what? Territory? Population? Quantity of arms? Or the people's troubles? The individual's lack of rights? Life's disorderliness? In what do we, who have virtually the highest infant mortality rate on our planet, take pride? It is not easy answering the questions: Who are you and who do you wish to be? A country which is feared or a country which is respected? A country of power or a country of kindness?

It is difficult for me myself to answer these questions.

I remember returning from Geneva following the signing of the Afghan settlement agreements. I have never spoken about this. It might seem that I should have been happy; there would be an end to the caskets arriving in the country. We would be closing the books on deaths and spending that had reached 60 billion rubles.

Yet I felt profoundly depressed. It was hard for me to see myself as a foreign minister who had signed what was by no means a victory agreement. Such had not been a frequent occurrence in the history of Russia and the Soviet Union. And I was further troubled by the thought of people whom we ourselves had roused and roused to revolution and whom we were now leaving with a deadly enemy.

What is true patriotism? Satisfying the arrogance of statehood by sending others' children to die in a foreign country or the courage to recognize mistakes and prevent new ones, to spare young men, and to restore the country's good name?

I recall the storm of applause evoked by the words of one politician, whom I highly respect, to the effect that currently not a single question in the world can be decided without Soviet participation. This is truly the case. But the whole point is how it is decided and at what price.

We had long been rivals of the Americans. We are now attempting, and not unsuccessfully, to interact. But even in our milieu we are surrounded by an atmosphere of suspicion and accusations: "We are betraying our own ideals!" At each step I hear behind me the whispering: You have given away, sacrificed something somewhere, agreed to compromise somewhere, and so on.

Of course, profound changes will occur in our alliance, and our cooperation and interaction will be built on a new basis. And if we pursue the right policy and do not make mistakes, we will not have to worry about the future of our relations with the East European countries. We can and will know how to build civilized, equal relations with these countries.

Looking back at the years of perestroika, we may say with satisfaction that, as a whole, Soviet foreign policy has accomplished its most basic mission — the creation of the conditions most conducive to internal transformations in the country. We have smooth, stable relations with essentially all states.

The "Cold War" is becoming a thing of the past. Military arsenals and military spending are being reduced — in the last two years we have reduced the latter by 14 percent. These are real reductions, not propaganda. Countries' militarization levels, ours included, are declining. Military confrontation is on the wane.

All this is very well, but we are noticing that a mood of complacency is emerging in part of society. This cannot fail to cause concern. We are, after all, only at the start of the road.

The Washington Post.

German Ascendance: It's Too Late to Stop It

By A. M. Rosenthal

NEW YORK — The new era of German ascendance is already beginning. Western diplomats and politicians do not talk about it publicly; they do not know how to deal with it. But it has begun, and in a very few years denials will be impossible. It will be an accepted reality of international economics and politics from the Channel to Siberia, probably the single most important reality.

Those four sentences wrote themselves when I asked myself what one thing remained with me most vividly after a trip to Germany, Czechoslovakia and Poland. I knew before I arrived that as far as Germans were concerned, unification had taken place. I came away understanding that as far as Germany's neighbors are concerned, they already are beginning to deal with the reality of a growing Germany — now.

In West Germany the business community is moving as fast as it can to take advantage of the markets and investments made more available and profitable by the unexpected combination of three historic events: the collapse of communism, the sudden arrival of unification and the coming elimination of trade barriers within the European market.

It is Christmas in the springtime. Quite sensibly the Germans are setting about unwrapping the packages.

With Western markets assured and growing, Germans intend to get as much profit as they can from the collapse of communism in the East. In a few years, eastern Germany will be a strong economic asset to united Germany. It will be a market in itself, ready for development.

Soon afterward it will be more than a market. Its own industrial growth, freed from the monumental, stifling weight of communism, will add to German economic power.

Looking farther east, as it has never ceased to do, Germany is already planning to be the major supplier, customer and creditor of the Soviet Union — or of its component parts.

The unified Germany will not only provide loans directly to the Soviet Union but will guarantee that East Germany continue to supply the machine parts and other technical equipment on which the Soviet Union has depended for so long.

Factories in East Germany will be subsidized to keep supplies going to the Soviet Union at the usual bargain prices — an important extra subsidy to the Soviet Union.

Immediate and long-term economic help from Germany is what the Gorbachev government really seeks in the discussions about unification. Moscow's card is the demand for German neutrality. Germany's card is economic power. Eventually cards will be traded.

In Prague and in Warsaw, there is no question that Germany will be a major part of their economic future — and already is, like it or not. The Poles are more candid about the not.

All this is not the result of some German plot; just Western stupidity and hypocrisy. Communism's collapse in East Germany made unification inevitable. But Western leaders, floundering for answers, decided not even to discuss the economic and political implications of unification with their own people. The Germans found the whole package presented to them cost-free.

A nice deal. The West talks about tying Germany up in the common market, or "anchoring" the country in NATO, or keeping American troops on the Continent as some sort of combined protection for Germany and guarantee against Germany.

All the talk simply emphasizes the deep nervousness about an increasingly powerful Germany. Nobody talks about tying France down or anchoring Britain.

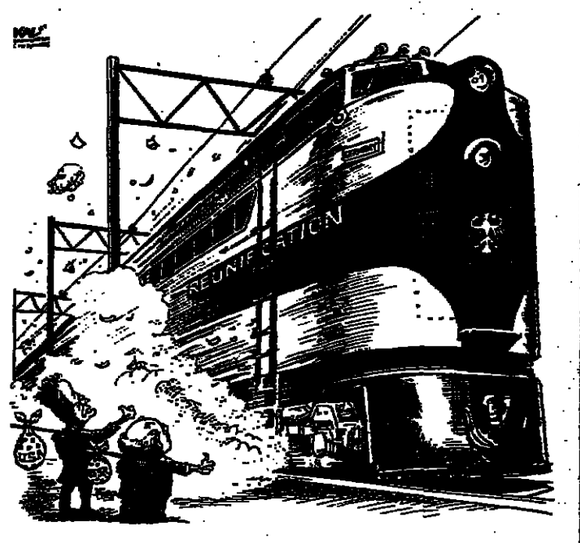
The growing German ascendance was taken for granted by most Poles, Czechoslovaks and Germans I met. They were not living in fear.

After all, various uglinesses associated with the German past, including anti-Semitism, are far more dangerous at the moment in the Soviet Union and parts of Eastern Europe than they are in Germany.

But there it is: While West European, Japanese or American economic power does not trouble them, German power does, deeply.

The time to have put down anchors was before the German ship began steaming full ahead.

The New York Times.



In Hong Kong, Tomorrow's Refugees Mistreat Today's

By Stephen S. Rosenfeld

WASHINGTON — Hong Kong invites the world's sympathy on grounds that the Chinese may chew it up when their sovereignty is restored in 1997. But it then trifles with the world's sympathy by the way it is seen to treat Vietnamese refugees. It is a contradiction, I learned in a trip there, the implications of which Hong Kong has not yet fully grasped.

Hong Kong has done well by boat people. It does not accept them for resettlement: as essentially a society of Chinese refugees, Hong Kong takes in only Chinese (some 30,000 a year), mostly to reunite Cantonese families. But it has faithfully provided vital "first asylum" — a way station — since the flow began in 1975.

The trouble is recent. At the end of the 1980s, when the main flow of boat people had tapered off, the countries that care altered course. They agreed to stop offering political-refugee status to any arriving Vietnamese requesting it. Instead, they approved the screening of new arrivals: Political refugees would get asylum and be offered resettlement, illegal "economic" refugees would be repatriated, if not voluntarily then involuntarily according to "acceptable international practices."

Unexpectedly, however, a sad new fleet of boat people — including "bus people," who go the first leg across China by land — then set sail: 35,000 in the season last summer. An overwhelming number were Vietnamese from the north, who are more likely, though not necessarily, to be economic migrants. Hong Kong applied the new screening. Of those "screened out," more than 1,300 volunteered to return to Vietnam, but last December, 51 were sent back involuntarily, provoking a big stink.

Hong Kong protested that it was merely operating under the new, internationally agreed rules. Technically it was. But it was also putting at risk, during its own delicate political passage, its precious reputation as an outpost of Western values. And it is muddying a claim to have its own citizens regarded as refugees if the worst happens in the 1997 handover to China.

Moreover, there is the possibility of grievous offense against Vietnamese sent home against their will. If Vietnam is easing its repression, it is still a police state. Perhaps there are "acceptable international practices" permitting safe repatriation, but the obligation is on Hong Kong to show what they are.

The screening itself has come under scrutiny. It helps that the United Nations refugee agency is keeping an eye on the process, but it hurts that the screening must be slowed to the pace dictated by the UN's feeble funding. Arranging competent translation (English, Vietnamese, Chinese) is not easy. Tension continues over what constitutes due process.

I heard secondhand accounts of asylum being denied to Vietnamese with a substantial, and still onerous, American wartime connection. True, these are anecdotes. No doubt it is also true that some refugee advocates, while paying lip service to repatriation, are determined to use the screening to prevent it. But of 9,900 interviewed by last March, fewer than a tenth were screened in. I do not know what the right percentage would be, but I was not convinced that the benefit of the doubt is going to all the Vietnamese whose future hangs in the balance.

In Hong Kong, about 11,000 already-certified refugees await resettlement, which proceeds slowly (though it sure beats what is happening in Malaysia, which pushes off boat people on the excuse that other countries no longer resettle them). My wife inspected two of the camps where the Hong Kong refugees live. One was open and minimally habitable; in the other, people were stacked on shelves in an old factory.

But this is the Hong Kong Hilton compared to what nonrefugees face — the 9,000 or so who have been adjudged illegal economic migrants and whose cases await disposition, and the more than 35,000 who have not yet been screened. The two groups are detained in centers described by refugee advocates as "concentration camps" and by the local press as miserable and terror-ridden.

It is certainly a burden on the Hong Kong authorities to have to provide for this large bulge of people. But prosperous Hong Kong can take decent care of these detainees.

America has its own obligations. It makes little sense to damn Vietnam for driving out its citizens and then to refuse to lift the economic embargo, which feeds the flow. For our hesitation in realizing that the Vietnam War is over, the boat people pay.

The Washington Post.

Mexico: In the Arena, Not the Back Yard

By Flora Lewis

MEXICO CITY — The message President Carlos Salinas de Gortari wants to send the United States, he said, is this: "Mexico is changing. We want to be in the international arena. It's the only way to stay Mexican."

For that, it is obvious to most people here, there must be good relations with the United States, a new confidence to replace knee-jerk resentment arising from solid historical reasons and the inevitable weight of a colossus. In many ways, that is developing.

Presidents Bush and Salinas have good personal rapport. High-level government contacts are being institutionalized. The 2,000-mile (3,200-kilometer) border is increasingly permeable, with more than 200 million legal crossings last year. Attitudes are evolving, especially in a new generation of the educated.

Hector Aguilar Camín, a magazine editor who is 43 — the same age as Mr. Salinas — says he has moved considerably from his views of the revolutionary 1960s and feels that "we have more to gain than to lose from the U.S. I see now that our own mistakes hurt us more than the U.S. did. We lost a lot of opportunities by our defensive isolationism."

Still, the underlying reflex is deeply ingrained. Even Luis Alvarez, leader of the opposition National Action Party, PAN, betrays it when he denies charges of receiving campaign help from U.S. Republicans. "If I did, I'd be sitting in Los Pinos [the president's office] now," he said sharply, unwittingly revealing the automatic assumptions of America's power to influence everything here.

So it does not take a lot to provoke new anger. The case of Humberto Alvárez Machain has become a flash point, symbolizing Mexico's sense of fragile sovereignty and what it considers U.S. disdain. It threatens to poison the whole relation.

It is a nasty case. Mr. Machain is accused of participating in the death by torture of a U.S. Drug Enforcement agent, Enrique Camarena Salazar, in Jalisco in 1985.

On April 2 he was kidnapped and turned over to police in El Paso, Texas, and he now faces trial in California. Everyone here supposes the Drug Enforcement Agency was behind the abduction. There is no proof, but it makes little difference whether he was ordered by Special Delivery or just turned over COD.

The outrage is such that Mr. Salinas would win unanimous applause from his compatriots if he expelled the DEA from Mexico in retribution. He does not want to do that.

"It would be populist, and we're against populism," said a senior official. And Mr. Salinas is serious about fighting drug traffic, which he calls a "threat to our national security."

He has not decided whether to demand Mr. Machain back, challenging the U.S. judicial system, or wait for the trial and seek extradition, reopening the case in Mexico.

Mexican officials point out that 28 people have already been convicted and jailed in the Camarena murder case, and they say the United States never asked them to arrest Mr. Machain. There is no sympathy here for the drug dealers' sadistic medic, and Mr. Salinas said he had ordered the Camarena investigation reopened. But other Mexicans argue that the U.S. reaction to one agent's death is disproportionate when 300 of their police have been killed in the drug war.

They feel the kidnapping was a display of U.S. contempt for and disbelief in their effort, when there has not been any remarkable progress in the U.S. fight on drugs at home.

Mr. Salinas wants a new agreement with Washington on rules of alliance against drug traffickers. U.S. officials say exchanges of intelligence have already been improved, but the Mexicans consider it one-sided.

They want "reciprocity," which is not clearly defined but seems to include stationing some Mexican drug agents in U.S. cities. They want a special, high-level joint anti-drug group, and firm assurance that U.S. agents only gather information in Mexico and do not operate as extraterritorial police.

There will have to be much better, regularized cooperation or there won't be any, a top cabinet member said, "and we don't want that."

The recent U.S. Supreme Court decision giving American courts jurisdiction over crimes against U.S. citizens abroad worries the Mexicans. They admit their judicial system is racked with corruption, but they see the ruling as legalizing aggressive disrespect for their sovereignty.

This is turning into one of those unforeseen blips that distort a carefully planned picture. The United States is not well coordinated on such issues. There are conflicting Washington interests.

But Mexico must be shown that the United States considers it a willing partner even on such ugly cases, not just a back yard for Americans to clean up because they cannot handle their own addiction.

The New York Times.

100, 75 AND 50 YEARS AGO

1890: Music-Mad Fans

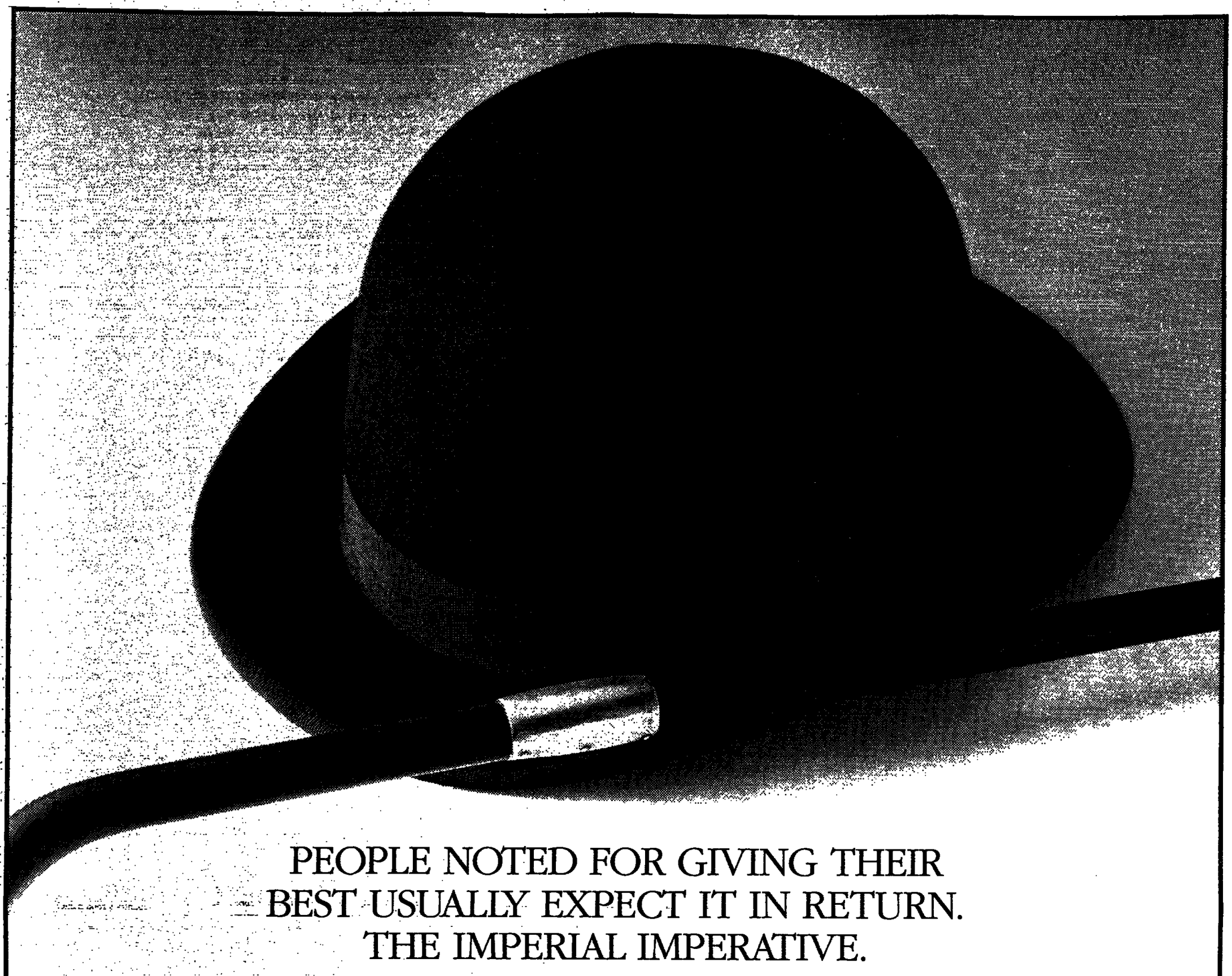
MARSEILLES — *A Herald correspondent writes:* I am informed by the captain of the Isaac Pereire, that M. Camille Saint Saens has engaged passage on that steamer from Cadiz to Tangier. The composer is literally driven away from Las Palmas by the curiosity of the public, which has become insupportable. Some English tourists have even gone so far as to cut out pieces of his coat, and to pilfer trifling articles from him as souvenirs.

1915: Anti-German Riots

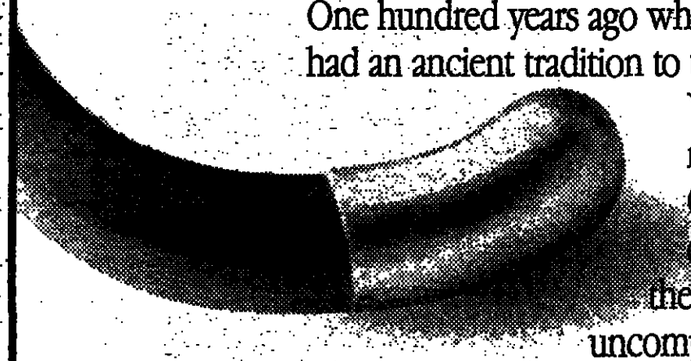
LONDON — The anti-German riots in London, which, beginning on May 11, as a result of the Lusitania horror, reached a climax of violence last night [May 13], are almost without precedent in the history of the city. As stated in the Herald yesterday, shops belonging to tradesman of German or Austrian birth, whether naturalized or not, were wrecked and plundered in all parts of the metropolitan area. The amount of damage done was very great.

1940: 'Blood and Toil'

LONDON — Summoned to a special meeting today [May 13], the House of Commons listened to a brief but stirring address from Winston Churchill, the new Prime Minister. Then both Houses gave him unanimous votes of confidence before adjourning till Tuesday next. "I have nothing to offer but blood, toil, tears and sweat," the Prime Minister said. "We have before us an ordeal of the most grievous kind," he continued. "We have before us many, many long months of struggle and suffering. To ask what is our policy I say it is to wage war. War by land, sea and air. War with all our might and with all the strength God has given us. To wage war against the monstrous tyranny never surpassed in the dark and lamentable catalogue of human crime. That is our policy. To ask us what is our war aim I can give the answer in one word, it is victory."



PEOPLE NOTED FOR GIVING THEIR
BEST USUALLY EXPECT IT IN RETURN.
THE IMPERIAL IMPERATIVE.



One hundred years ago when the Imperial was founded, we had no history to look back on. But even then we had an ancient tradition to uphold: the Japanese tradition of hospitality. In time it became our tradition as well. Year after year we lived by it, providing the finest services and facilities to the world's most discriminating guests: people such as Madame Pavlova, Jascha Heifetz, Charlie Chaplin, and countless dignitaries. In return, they gave us our reputation as the hotel of hotels throughout Japan. The one with the uncompromising service. The one with the distinguished cuisine. In short, the one hotel that was imperative for its consistent, uncompromising standards. And in keeping with this perception, the Imperial has remained in the same enviable location—more convenient than any other in Tokyo. Today, as in the past, the world's most informed, fastidious travelers still insist on the Imperial Hotel. History ebbs and flows, but great traditions endure. So indeed, as we celebrate our Centennial, does the Imperial imperative.

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WEEKLY INTERNATIONAL BOND PRICES

Provided by Credit Suisse First Boston Securities, London, Tel: 01 323 11 30. Prices may vary according to market conditions and other factors. May 11

Dollar Straights

Governments/ Supranationals

Issuer	Con	Mat	Price	Yld	Spd Trsy
ADB	11¾	93	105¼	9.85	+87
ADB	8	96	91	9.91	+84
ADB	9½	95	99¼	9.97	+86
AIDC	8⅝	96	92¾	10.01	+95
Austro Wheat	9½	93	99	9.81	+82
Australia	11	95	104¼	9.88	+86
Australia	11½	95	106½	9.86	+83
Australia	11⅝	98	109	9.97	+91
Australia	11¼	00	105½	10.12	+110
Australia	8¼	92	97	9.73	+92
Austri Control	9⅛	92	98¾	9.45	+72

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MUTUAL FUNDS

Figures as of close of trading Friday, May 11.

NEW YORK (AP)— The following quotations, supplied by the National Association of Securities Dealers, Inc. are the prices at which these securities could have been sold (Net Asset Value) or bought (value plus sales charge) Friday.

NL— No initial sales load. f— Previous day's quote. r— Redemption charge may apply. x— Ex dividend.

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FROM MEDICAL CHECKS

International Herald Tribune
BUSINESS/FINANCE
** MONDAY, MAY 14, 1990

TO BUSINESS CHECKS
In Touch with Tomorrow
TOSHIBA

U.S. CREDIT MARKETS

U.S. Bonds Turn Higher As Economy Turns Down

Compiled by Our Staff From Dispatches

NEW YORK — U.S. interest rates plunged last week as prices of Treasury securities soared, largely on new evidence that the economy was softening and inflation fears subsiding. Dealers said government reports indicating a weakening economy sparked a frenetic demand for Treasury bonds, as well as for high-and low-grade corporate issues, by investors seeking to lock in current high interest rates.

They said the reports increased speculation that the Federal Reserve Board would be moved to lower interest rates.

The government said Friday that the Producer Price Index for April fell 0.3 percent, following a 0.2 percent decline in March. A separate report showed a 0.6 percent decline in retail sales in April, which was the largest drop since October, when sales fell 1.4 percent.

Reports of weak growth and low inflation set off a frenzy of buying.

Any negative economic news or evidence that inflation is in check is bullish for the bond market.

The reason is that a strong economy tends to drive up interest rates and the rate of inflation and thus makes the yields on outstanding fixed-income debt issues less attractive by comparison.

The stock market, on the other hand, welcomes any drop in interest rates and inflation. It received news of both on Friday and the Dow Jones industrial average soared by more than 60 points.

"Both sets of economic data were below expectations and set off a frenzy of buying, much of it from retail investors," said William V. Sullivan Jr., senior vice president at Dean Witter Reynolds Inc.

"But the market shouldn't have been as surprised as it was, because the April employment data released last Friday told us the economy was weakening."

The fixed-income market also began the week on an unsettled note last week because of fears that the Treasury's record $30.5 billion quarterly refunding would meet resistance from investors.

"But the relatively high coupons and interest rates produced a fairly successful refunding," Mr. Sullivan said.

THE TREASURY'S NEW benchmark 30-year bond issue, the 8¾ percent bonds maturing in 2020, rose nearly two points Friday, reducing their yield to 8.64 percent from the average of 8.84 percent at the auction the day before.

The old long bonds, the 8½ percent bonds that mature in 2020, closed Friday at 98 9/32 to yield 8.66 percent, up in price from 96 20/32 to yield d 8.82 percent a week ago.

Market analysts said the Treasury market is expected to hold its gains this week as upcoming economic reports show further weakness.

"The numbers will reinforce the notion the economy is not real strong," said Joseph Liro, vice president at S.G. Warburg & Co.

The week's economic calendar begins with March business inventories on Monday, then April industrial production and capacity utilization on Tuesday.

The April consumer price index and housing starts are due Wednesday and March merchandise trade on Thursday.

The data generally are expected to reinforce the prevailing positive mood in the credit market.

"The numbers will probably be fairly good for the market, continue to show weakness and sluggishness in the economy," said James Blumenthal, economist at BNY Securities Inc.

Some analysts cautioned, however, that with the market posting such sharp gains on Friday, further big price increases are unlikely this week.

"I think we've had most of the rally at this point," said David Wyss, an economist with DRI/McGraw Hill Inc. "The economy is basically flat and is going to stay basically flat," he said, so interest rates — and prices — will hang in a range for some time.

Elsewhere in the Treasury securities market last week, 10-year notes closed at 101 15/32 to yield 8.65 percent, compared with an average price of 99 31/32 and yield of 8.88 percent at auction on Wednesday.

Three-year notes closed at 100 3/32 to yield 8.59 percent, compared with the average auction price and yield of 99 23/32 and 8.74 percent.

Rates on six-month Treasury bills fell to 7.64 percent from 7.80 percent a week earlier, while rates on three-month T-bills closed at a 7.60 percent compared with 7.74 percent a week earlier.

Shearson Lehman Hutton Inc.'s index of long-term Treasury bonds gained 18.18 points in the week, or 1.45 percent, to close at 1,273.69.

The federal funds rate closed at 8 3/16 percent, slightly under the perceived Federal Reserve target rate of 8¼ percent. The rate is applied on overnight loans by one bank to another and underlies most other U.S. interest costs. *(NYT, UPI, Reuters)*

Carl Gewirtz is away

CURRENCY RATES

Cross Rates

May 11

	$	£	D.M.	F.F.	I.L.	Gldr.	B.F.	S.F.	Yen
Amsterdam	1.8405	3.084	1.1246	0.3328	0.1525 *	—	5.424 *	1.3163	1.20 *
Brussels(a)	33.9575	56.85	20.737	6.1335	2.8118 *	18.437	—	24.2595	0.2213
Frankfurt	1.6349	2.742	—	0.2958	0.1356 *	0.8892	4.824 *	1.1785	1.067 *
London (b)	1.6815	—	2.7388	9.2598	2,017.50	3.0795	56.815	2.34	256.835
Milan	1,226.50	2,023.20	737.78	218.25	—	655.95	363.84	25.572	7.846
New York(c)	—	1.679 b	1.6375	5.5295	1,287.25	1.8485	33.925	1.3995	152.65
Paris	5.534	9.272	3.3802	—	0.4583 *	3.0058	0.1631	3.9576	3.6045 *
Tokyo	155.15	261.35	95.18	28.18	0.1280	84.40	4.5943	111.42	—
Zurich	1.3985	2.3345	0.8525	0.2526	0.1157 *	0.7592	4.1129 *	—	0.9079 *
1 ECU	1.2469	0.7432	2.04	6.8961	1,505.03	2.2937	42.3204	1.7413	191.482
1 SDR	1.3276	0.7907	2.1704	7.3468	1,591.50	2.4434	45.0810	1.8526	204.977

Closings in London and Zurich, fixings in other centers. New York closing rates.
*a: Commercial franc; b: To buy one pound; c: To buy one dollar; *: Units of 100; N.Q.: not quoted; N.A.: not available.*

Other Dollar Values

Currency	Per $	Currency	Per $	Currency	Per $	Currency	Per $
Argen. austral	4820.2	Fin. markka	3.861	Mex. peso	2798.00	S. Afr. rand	2.6325
Austral. $	1.3141	Greek drac.	160.60	N. Zealand $	1.7422	Soviet ruble*	0.6087
Austr. schil.	11.51	Hong Kong $	7.79	Norw. krone	6.387	Span. peseta	102.00
Brazil cruz.	50.37	Indian rupee	17.361	Phil. peso	22.47	Swed. krona	6.0058
Canadian $	1.1733	Indo. rupiah	1818.02	Port. escudo	144.70	Taiwan $	26.20
Chinese yuan*	4.72	Irish £	0.612	Saudi riyal	3.75	Thai baht	25.88
Danish krone	6.219	Israeli shek.	1.96	Sing. $	1.8505	Turkish lira	2503.00
Egypt. pound	2.6683	Kuwaiti dinar	0.29	S. Kor. won	707.60	UAE dirham	3.672
		Malay. ring.	2.6935			Venez. boliv.	46.05

*New York rates unless marked * (local rate.)*

Forward Rates

Currency	30-day	60-day	90-day	Currency	30-day	60-day	90-day
Pound Sterling	1.6666	1.6572	1.6484	Canadian dollar	1.1783	1.1830	1.1879
Japanese yen	153.15	152.81	152.86	Swiss franc	1.3953	1.3946	1.3944
Deutsche mark	1.6385	1.6350	1.6349				

Sources: Indosuez Bank (Brussels); Banca Commerciale Italiana (Milan); Banque Nationale de Paris (Paris); Bank of Tokyo (Tokyo); IMF (SDR); Gosbank (ruble). Other data from Reuters and AP.

Last Week's Markets

All figures are as of close of trading Friday

Stock Indexes

United States	May 11	May 4	Ch'ge
DJ Indus.	2,801.58	2,710.36	+3.37 %
DJ Util.	216.99	208.38	+4.13 %
DJ Trans.	1,177.45	1,145.09	+2.83 %
S & P 100	333.86	320.65	+4.12 %
S & P 500	352.00	338.39	+4.02 %
S & P Ind	409.45	394.20	+3.87 %
NYSE Co	192.24	185.37	+3.71 %
Britain			
FTSE 100	2,175.90	2,162.20	+0.63 %
FT 30	1,708.80	1,696.80	+0.71 %
Japan			
Nikkei 225	31,512.00	Closed	— %
West Germany			
DAX	1,875.03	1,905.69	—1.61 %
Hong Kong			
Hang Seng	2,960.46	2,946.97	+0.46 %
World			
MSCIP	498.80	485.00	+2.85 %

World Index From Morgan Stanley Capital Int'l.

Money Rates

United States	May 11	May 4
Discount rate	7.00	7.00
Federal funds rate	8¼	8.15
Prime rate	10.00	10.00
Japan		
Discount	5¼	5¼
Call money	7 3/32	Clsd.
3-month interbank	7 9/32	—
West Germany		
Lombard	8.00	8.00
Call money	7.90	7.95
3-month interbank	8.30	8.35
Britain		
Bank base rate	15.00	15.00
Call money	15.00	15 1/16
3-month interbank	15¼	15¼

Gold	May 11	May 4	Ch'ge
London p.m. fix.$	368.55	371.30	—0.74 %

IMF Considers Timetables for Change in Eastern Europe

By Lawrence Malkin
International Herald Tribune

NEW YORK — The International Monetary Fund may insist on timetables for legal reform and privatization as a condition for granting credits to help the nations of Eastern Europe move toward market economies, according to Michael Wilson, the Canadian finance minister.

The IMF generally negotiates reform programs with governments by setting targets for inflation, monetary growth and other measures of economic performance. Under traditional IMF operating procedures, regular advance toward these targets triggers the release of credits.

But Mr. Wilson, who has just chaired his first session of the IMF's Interim Committee, said in an interview that the triggers for loans could also be political, ranging from enacting laws of contract and private ownership to the dismantling of obsolete steel mills.

"The trick is ordering these different structural initiatives," Mr. Wilson said. "Before industrial privatization, for example, you have to have the legal framework in place, and that can be measured.

"If I were in the position of a minister of finance of one those countries," Mr. Wilson added, "you'd have to start thinking what you can do administratively, how fast you can get laws in place, how fast you can get things through parliament. It has to be tested, and the Fund can hold them to a timetable," he said.

The IMF officials who expect to administer the medium-term credits to Poland, Hungary, Romania and other Eastern European nations have said that these countries will need to create a legal framework to attract private investors.

They also are worried about "phantom transfer" deals in which Communist plant managers line their own pockets and help impoverish their countries by selling out state firms to Western investors before the new market-oriented governments can legislate the rules for such joint ventures.

Traditionally, IMF officials do not dictate an economic reform program to a government but force its officials to devise one that the Fund believes will lead to solvency. In Eastern Europe, they are convinced that solvency is unlikely without the kind legal underpinning that exists in the West.

Mr. Wilson said the specific political priorities should be left to the governments themselves, with the Fund's trigger clauses acting as safeguard for performance.

For example, he said, in negotiating an IMF loan a finance minister might plead politics in refusing to "yield the high ground of a major state enterprise" to the private sector, but would start with "smaller, less critical enterprises to get his feet wet."

That is the kind of priority that would be open to negotiation, Mr. Wilson said, "because it is hard to say you're right and I'm wrong."

However, he said he came away from a swing through Eastern Europe last month convinced that governments there want to move away from state enterprise, and that each of them has a program to do it over the next few years.

"They're looking for technology exchange, and management and production ideas," Mr. Wilson said. "They're looking for support in the development of a more market-oriented banking system" to help privatizated companies with loans and other services.

As Economy Weakens, Wall Street Is Betting Against Higher Taxes

By Floyd Norris
New York Times Service

NEW YORK — With signs of economic weakness becoming apparent in the U.S. economy, Wall Street is betting that the government and the Federal Reserve Board will find ways to stimulate growth rather than to restrain it by raising taxes or interest rates.

That view led to an old-fashioned buying stampede in the U.S. stock market on Friday, after the government released data showing

NEWS ANALYSIS

that retail sales were weak, especially for the durable goods where purchases can be deferred, and that inflation was tame.

The Dow Jones industrial average, having risen steadily for a couple of weeks, shot up 63.07 points, to 2,801.58 on Friday, on the highest volume of 1990.

That is less than nine points from the Dow's record high, set on Jan. 2, and is the best daily gain in a year.

Smaller stocks rose less sharply, and are nowhere near their highs, but they rallied nonetheless.

The bond market led the way up for stocks, with the new 30-year Treasury bond yielding just 8.64 percent, down from the 8.84 percent it fetched at the auction just the day before, as the Treasury's quarterly refunding ended on a positive note.

Just how long this buoyant spirit will last may be another question.

Only two weeks ago, bond yields were above 9 percent, stock prices were weak and most market seers thought those trends would continue. Now the opposite convictions prevail.

Proof that President George Bush is serious about raising taxes to cut the federal budget deficit could change that rosy outlook, however.

While fiscal responsibility is always praised on Wall Street, raising taxes now would be likely to further slow the economy.

Bond traders might like that, but it could instill recession fears in the stock market, fears that might not be offset even if there were the accompanying good news of a cut in capital gains taxes.

Economic weakness would, in another era, have been a reason to cut taxes.

But having run huge deficits in good times, the government now faces rapidly escalating deficits as the slow economy depresses tax revenues.

The legacy of the Reagan era may be a government that found it necessary to borrow and spend when the economy could have gotten along without the stimulus, only to cut back when business activity needs a boost.

But even without a tax increase, the dollar could prove to be the wild card that deflates market sentiment.

Almost overlooked in the celebration Friday was the fact that the dollar was falling nearly as rapidly as stock and bond prices were rising.

A Treasury bond now is worth fewer Japanese yen or Swiss francs than before the rally began May 4.

Timing Hit Taipei Bank Sale

Analysts Say Placement Was Clumsy, Not Catastrophic

By Steve Glain
International Herald Tribune

An ill-timed public placement of state-owned bank shares has underscored the Taipei government's clumsy privatization process, but poses no major setback to the gradual liberalization of Taiwan's financial sector, according to analysts.

"It was a problem with timing," said Steve Kwiatkowski, a manager with Asia Securities Ltd. "This is an embarassment, but it won't stop the privatization process."

Investors on Friday turned their backs on an offer of 46 million shares worth about 25.7 billion Taiwan dollars ($980 million) in three of Taiwan's largest state-controlled banks — First Commercial Bank Ltd., Hua Nan Commercial Bank Ltd., and Chang Hwa Commercial Bank Ltd. The issue would have reduced the government's stakes in the three banks to 51 percent.

However, only 257 of 46,343 eligible investors took up their option to buy the shares before the Friday deadline, according to analysts in Taipei.

Analysts said they hoped the failed offering had taught the government a lesson about selling shares in state-owned companies, which so has far been conducted with little regard for market climates.

"In better market conditions, the shares would have gone over," said an analyst with a Britain-based securities firm. "But the investors would have gotten burned because the shares are overvalued. In any other market in the world, it wouldn't have been handled this way."

The share placement was announced March 31 by the Ministry of Finance, which struck issue prices for all three banks' shares at steep discounts to the then-market prices. Issues of Chang Hwa Commercial Bank shares were set at a 15.6 percent discount, First Commercial at 17 percent, and Hua Nan at 18.4 percent.

Since then, however, the Taipei Weighted Index has depreciated about 20 percent, closing Saturday at 8,361.18, on a mix of bearish economic and political factors. By the time of the placement deadline, unlike with past government placements, it was cheaper for investors to pick up shares from any of the three banks in the open market.

The failed placement spotlighted weaknesses in the government's privatization strategy, which until now has been hugely successful because of the Taiwan stock market's buoyancy, according to analysts.

"It's not that people didn't want to buy, it's just a case of bad timing and a foolish mechanism," said a stockbroker with a Taiwan securities firm. "People are used to getting these 20 percent discounts to the market price, but this time the government's cushion didn't hold."

Analysts said the government should either refrain from setting an issue price, or at least announce it closer to the purchase deadline. Since late last year, for example, the share price of Chang Hwa Commercial Bank has gyrated on speculative investment and mob-driven selling.

On Dec. 12, Chang Hwa's stock price rose from a short-term bottom of 507 dollars to a peak on Feb. 6 of 875 dollars, largely on manipulative buying from prominent investors anticipating a privatization announcement.

Widespread selling in March during Taiwan's stormy presidential election drove the stock price down to 647 dollars the day before the government's share offering was announced. Two days later, Chang Hwa's price rose to 738 dollars on ideas the government would support the stock before the purchasing deadline.

But when the market began to slide last month on renewed political uncertainty, many investors pulled out of their Chang Hwa shares and others sold short, which accelerated the declines.

In addition to holding unwanted shares, the government has also earned the resentment among investors for trying to force-feed an already gorged market, according to analysts. In response, Taiwan's Ministry of Finance announced it would postpone a second placement of about 109 million shares in other state-owned banks for the rest of this year.

Nonetheless, analysts said they do not expect the failed bank placement to derail Taiwan's plans to privatize its huge banking sector. Although western bankers in Taipei complain about the slow pace of liberalization, they generally commend the government for loosening what only several years ago was an iron grip on banking and other financial assets.

Shift Reported At Philips

Van der Klugt Said Ousted After Sharp Profit Fall

Agence France-Presse

EINDHOVEN, the Netherlands — The chairman of Philips NV, Cor van der Klugt, has been replaced by Jan Timmer, the head of the conglomerate's consumer-electronics unit, Dutch television reported Sunday.

The decision was made over the weekend, the report said. A Philips spokesman, Piet Brouwers, refused to confirm or deny the story.

The television report came 48 hours after a Dutch state-run television news program indicated that the conglomerate's management board chairman was likely to step down after Philips posted extremely poor first-quarter results.

The Dutch news program had said the chairman would be asked to resign after operating profit plummeted 26.4 percent in the first quarter of this year from the same period last year.

On Sunday, Philips announced a hastily scheduled a news conference for Monday, but refused to give further details.

On Feb. 28, the electronics giant had announced that Mr. van der Klugt, 65, would retire and be replaced by 57-year-old Mr. Timmer on June 30, 1991.

Mr. Timmer has won respect by leading the company's long-struggling consumer-electronics division back to profit.

The company's shares plunged last Friday on the Amsterdam stock exchange to 31.40 guilders ($17.06), compared to 37.70 guilders at the close on May 2 ahead of the publication of the first quarter results.

Philips reported that its first-quarter net profit plunged to six million guilders from 223 million a year earlier.

The results, which came after years of costly restructuring efforts, were a complete surprise to investors. Mr. van der Klugt had made optimistic comments to the annual shareholders meeting less than one month earlier.

Markets were also shocked by an observation from a Philips board member, Henk Appelo, that the first-quarter results had also come as a surprise to the management board.

Canberra Criticized On Economy

Reuters

SYDNEY — A senior Australian government minister warned on Sunday that hard times lay ahead, and he said the Labor government had wasted opportunities to improve the economy.

John Button, minister for industry, technology and commerce, said in a television interview that he believed there would be only a marginal improvement in Australia's huge current account deficit and that investment had declined in recent months.

"I think we are in for a difficult year," he said. "I've always taken the view that we would have difficult times in this country in the next few years."

Asked whether the Labor Party, led by Prime Minister Bob Hawke, had lost opportunities to improve the economy during their third term, Mr. Button said: "Yes, I think so."

Last week the former finance minister Peter Walsh, who stepped down from the ministry after Labor won a fourth term at the March 24 elections, accused Mr. Hawke of dodging tough decisions and called him a wimp.

Mr. Button, who has frequently been "carpeted" by Mr. Hawke for speaking his mind, added he shook his head in bewilderment every month when the current account figures were released.

Wool Bailout Offered

Primary Industries and Energy Minister John Kerin said Sunday that Australia would bail out its depressed wool industry if exporters were unable to repay their borrowings, Agence France-Presse reported from Canberra.

The wool industry, Australia's second-largest export earner, has been severely depressed since the start of the 1989 to 1990 season.

Eastern Europe Expected to Boost Cocoa Market

Reuters

PARIS — World cocoa consumption will outstrip production this year and prices will rise significantly, with Eastern Europe giving a large boost to the market, one of the world's top commodity traders said Saturday.

Derek Chambers, head cocoa trader at the London office of the U.S. trading firm Philipp Brothers, said Eastern Europe's consumption of cocoa, which is used to make chocolate, would almost triple by 2004.

"I believe Eastern Europe will be the driving force behind chocolate consumption," he said, predicting that cocoa prices would at least double by 1992.

Mr. Chambers said that most of the 1990/91 cocoa crop from West Africa has already been sold.

The trader, who said his firm had about 400,000 tons of cocoa at the moment, was speaking in a debate with the general manager of Compagnie Financière Sucres et Denrées, Jacques Bachelier.

Mr. Bachelier declined to make a specific prediction about prices, but he said he agreed with Mr. Chambers's prediction.

Meanwhile, the Sucden executive urged the European Community to consider buying a minimum quantity of cocoa at a guaranteed minimum price from former colonies.

The French trading house executive said such a plan would protect developing countries like the Ivory Coast, which depend on cocoa exports, from fluctuations in foreign exchange earnings.

Burt Mr. Chambers dismissed the proposal, saying it ran counter to world efforts to deregulate markets.

Mr. Bachelier said the EC should consider importing a minimum quantity of cocoa from the Africa, Caribbean and Pacific countries that signed the Lomé Convention, a trade and aid pact with the Community.

He said the quantity could be the average annual exports to the EC over the last five years, and that a minimum price could be set.

"That would be justice," said Mr. Bachelier, who criticized the Community for urging developing countries to liberalize their markets while at the same time protecting EC farmers.

Sucden has been rumored in the past to have worked in conjunction with the French government to prop up market prices.

Cocoa prices, adjusted for inflation, currently are less than one half the 1964 rates. Developing countries like the Ivory Coast and Ghana that depend on cocoa exports for foreign exchange to pay foreign debts have suffered from the price decline.

More recently, however, prices have rebounded, largely because of civil unrest in the Ivory Coast, by far the world's largest producer.

Mr. Chambers said consumption in Eastern Europe will rise from approximately 280,000 tons in 1989/90, to 456,000 tons in 1994/95, to 663,000 tons in 1999/2000 and to 804,000 tons in 2004/05.

Per capita cocoa consumption in Eastern Europe, currently about 38 percent of that in Western Europe, will rise to about 75 percent of Western Europe's level by 2005, he said.

Mr. Chambers forecast annual growth rates in other regions up to 2004/05 would be 1.44 percent in Western Europe, 2.14 percent in North America, 2.59 percent in Central and South America and 3.65 percent in Asia.

The unusual public debate between senior executives from the two cocoa trade giants, sponsored by the French national arts and crafts conservatory, was polite in tone. Over the past few years, the two houses have been battling for the marketing of Ivory Coast's crop.

After Sucden clinched a block deal for 400,000 tons of 1988/89 Ivorian cocoa, Phibro captured 500,000 tons of the 1989/90 crop, with 200,000 tons of the total to go to Sucden. The 500,000-ton deal fell through, however, last autumn.

Mr. Chambers said that the outlook for the 1990/91 world cocoa crop was not very good.

BASE CONSUMER SELLING PRICE — W.E. 11/5/90

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CLEAN, H COLOR, EXCELLENT MAKE 1 POINTERS, DIAMOND SETTINGS.	1.00	2,560
	0.75	1,920
	0.50	1,280
	0.25	640

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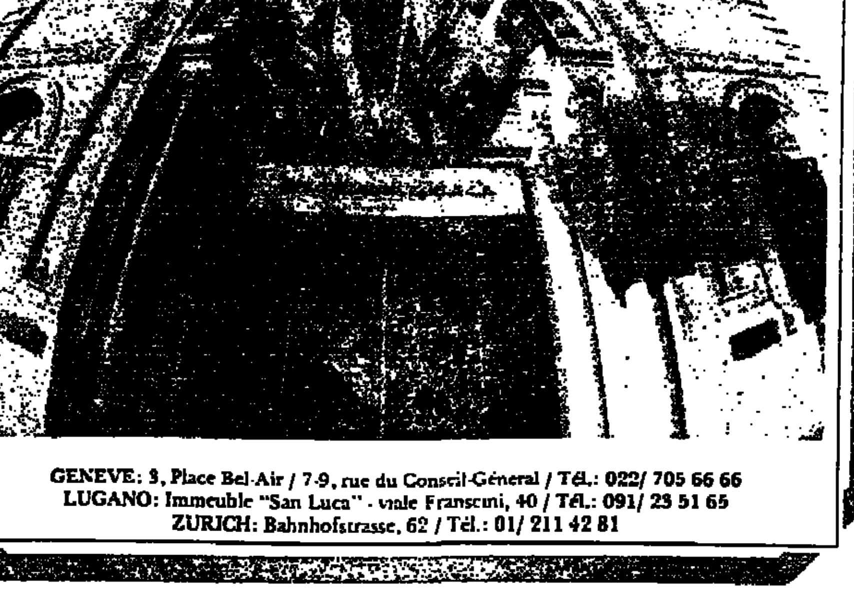

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NASDAQ NATIONAL MARKET

OTC Consolidated trading for week ended Friday, May 11.

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Stock	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
A&W Bd			4443	31¾	30¼	31¼	+ ¼
ABS	.32	4.1	63	8¼	7¾	7¾	— ¼
ACC Cp	.16	1.3	5956	12¾	9¼	12½	+3⅛
ADC			2544	24	22¼	24	+1½
ADT			17479	29¼	28¼	29¼	+ ⅜
AEL			97	5	4½	5	+ ½
AEP s			357	14½	14	14	— ¼
ALC h			2006	⅞	¾	¾	
ASK			5913	8¾	8¼	8¾	+ ⅜
AST			8028	24⅞	22½	23¼	
AgrnRt	.10	1.0	287	10¼	10	10	— ½
AbingB	.14	3.2	64	5½	5	5	— ¼
AbeLinc			36	8¼	7½	7¾	— ½
Abram s	.20	4.6	9	4⅞	4⅜	4⅜	— ⅜
Acadin			3102	1	⅞		
Accel	†		228	7¾	7	7¾	+ ⅜
Acloim s			12102	12½	10½	11⅜	— ⅞
Acl wtB			3031	3¼	2⅞	3¼	— ⅛
Acmto	.14b	1.0	64	14¾	14¼	14½	+ ½
ACMT			1	12	12	12	— ¼
Acmt a			204	10½	10	10	
AcmeSt			257	17¾	16¾	17¾	+ ⅜
ActARt	†		313	6¼	5¾	5¾	— ⅜
ActnSv	.32b	8.5	171	4¼	3¾	3¾	— ⅜
ActAuSt			157	1⅞	1½	1½	— ⅜
Acxiom			515	22¾	21½	22¾	+ ⅝
AdacLb	.04l		4060	1½	1⅛	1⅛	— ⅛
Adage			480	1⅛	1	1	—
Adapi			14397	19¼	17⅛	17⅜	—1½
Adinst s			2954	19¾	18¼	19½	+ ¾
AdiaSv	.16	.7	301	22¼	21½	22	— ¼
AdobeS	.21e	.5	14883	45	41	44½	+3½
Adtec			2228	2⅞	2⅜	2⅜	— ⅜
AdvClr s			1536	9¾	8¾	9¾	+ ⅞
AdvRos			188	11¼	10¾	11	+ ⅛
AdvMag			114	13	12¼	12½	+ ¼
AdMkSv			5728	5¼	4⅞	5¼	+ ⅜
AdvPoly			1841	4½	3¾	4½	+ ⅜
AdvSem			47	6⅛	5⅞	6⅛	— ⅛
AdvTel			4544	20	18⅝	19½	+1½
Advanta	.10	.9	874	11	9⅞	10⅞	+ ⅛
AdvoSy			2330	10¼	9¾	10¼	+ ¼
Aequitrn			987	2⅞	2¼	2⅝	+ ¼
Aegon	1.39e	2.1	188	67¾	65	67¾	+4
AerSysl			57	¾	⅝	⅝	— ⅛
Aerovx			4649	4⅞	3⅞	4½	+ ⅛
AffBcCp	.32	7.3	628	4⅞	4¼	4⅜	— ⅛
AffBsh			8921	17¾	16¾	17	+ ⅜
AgncyR	†		3055	13⅛	12⅛	13	— ⅝
Agnico p	.20	2.9	1730	7⅛	6⅜	6⅞	+ ⅜
Agourn			44	8½	8¼	8¼	
AirMd			1402	5¼	5	5¼	+ ⅛
AirWisc	†		1025	10⅜	10	10⅛	
Airind			10	1¼	1¼	1¼	— ⅛
Airtran	.16	2.0	392	8	7⅞	8	+ ⅛
Akorn	.07e	4.3	37	1⅝	1⅜	1⅝	— ⅛
Akzo	1.47e	5.1	2483	32⅞	32⅜	32⅞	+ ⅜
AlamBc	.60a	2.3	36	25¾	24¾	25¼	
Alaten	1.10	9.6	272	12	10	11½	+1¼
Aldus			13253	26	22¼	25	+2¾
AlexBr	.22	1.9	2485	11⅞	11⅛	11⅛	+ ⅛
AlexBld	.88	3.0	5643	29¾	28½	28⅞	— ⅝
AlfaCp	.40	3.9	94	11¼	10¼	10¼	— ½
Alico	.20	.7	305	32	29	29	—2
AllAm s			482	2	1½	2	+ ½
AllCity			165	6⅞	5⅝	6	+ ⅜
AlegW			835	8⅝	8	8⅜	— ⅛
AllonPh			3716	11½	10¼	11½	+1
AlnPh wt			293	1¼	⅞	⅞	+ ⅛
Alliant			2286	6⅞	6¼	6½	— ⅛
AlldBk	.30	3.8	30	8	7¾	8	+ ¼
AlldCap	1.19e	6.3	1284	18¾	18	18¾	+ ¼
AldCall	.16e	.9	3610	18	17	18	+ ¼
AlldGp	.48	3.6	9	13½	13⅛	13½	+ ⅜
AlldRsh			168	2⅞	2½	2½	
AlloyCpt			1428	1⅛	⅞	⅞	— ⅛
AllstFn			219	8⅝	7¾	8¼	+ ⅜
Allwst s			19432	10⅜	9⅛	10¼	+ ⅞
Aloette	.32	1.8	1478	18	17	18	+ ¼
Alpharl			598		⅞	⅞	—
AlpMic			165	3⅝	2⅞	3⅛	— ½
AltaGld	.06e	1.5	3799	4⅝	4	4⅛	— ⅛
Altai			32	3⅜	3¼	3⅜	+ ¼
Altera			8977	11⅞	11¼	11¼	
Altus			310	1⅝	1	1⅜	+ ⅛
Altos			895	6⅛	5⅛	5⅝	— ⅜
Altron			256	6⅛	5½	5½	— ¼
AmcorF	.50	3.4	197	15	14¼	14¾	
Amrian	.40	3.2	171	12½	12	12½	
Amerbc	.11r	2.2	1052	5	3⅜	5	+ ¼
AFFM12	1.90e	24.1	575	x7⅞	7⅜	7⅞	
AFFF	1.50	7.9	342	19	18¼	19	+ ¾
AmFPr	1.30	11.6	627	11¼	11⅛	11¼	+ ⅛
AFTxE	1.00	11.8	941	9¼	8	8½	— ¼
AFTxE2	1.28	14.2	438	9	8¼	9	+ ½
AWAirl			2622	10¼	9⅝	9¾	— ⅜
AmBcp	1.15e	5.0	4	23	23	23	—1¼

B

Stock	Div	Yld	Sales in 100s	High	Low	Close	Net Ch'ge
BB&T s	.80	4.0	1142	20	19½	20	+ ¼
BH Bulk	1.51e	36.6	3472	x5	4	4⅛	— ⅞
BEI El	.06e	1.0	868	6⅛	5⅝	5⅞	— ⅛
BEI			1313	3⅛	2⅝	3	+ ⅜
BF Ent			2	5	5	5	— ½
BFS NY			24	9½	8¾	8¾	— ¾
BGS	.40a	2.8	142	14½	13½	14¼	
BHA s			270	21	20¼	20½	— ⅝
BHA B s			894	20¾	19½	20¾	+ ¼
BKLA	†		31	8¼	7¾	7¾	— ⅜
BMA	1.20	3.5	378	35½	33¾	34	— ⅞
BMC Sf s			2796	24¼	21¾	22¼	— ⅞
BMJ	.60	4.8	32	12½	11¾	12½	+ ⅜
BMR Fn			19	7½	7½	7½	
BNH	.24	4.4	233	6	5¼	5½	
BSB Bcp	.40	4.5	787	14	12½	13½	— ½
BT Fin	.80	5.3	45	15	14¾	15	
BT Shp			2186	12¾	11¾	12⅛	— ⅝
BTR	.08	1.5	1	5½	5½	5½	— ½
BTU Int			468	3⅞	3	3¼	+ ⅛
Babage			837	5¼	3	3¼	+ ¼
Badger	.48a	2.7	25	17¾	16½	17½	+ ¾
Bailey			12	1⅞	1⅝	1⅝	+ ⅛
BakerJ	.06	.4	3589	13⅛	12¾	13½	+ ⅜
BaldLy	.30	1.4	522	21⅛	21½	22	
BldLyB	.30	1.5	170	20½	20	20	
BaldPla			1590	8⅞	8⅛	8⅝	+ ⅜
Balard	.10	.4	1316	24¾	23½	24	+ ⅝
Baltek	.15	1.7	37	9	8¾	8¾	
BncPnc	1.60	3.5	68	46	44½	46	+1
BncPop	.80	4.2	337	19¼	18¾	19	— ½
BcpHw s	1.64	3.6	4389	47½	44¼	46	— ½
BcMiss	.84	4.1	67	20¾	20½	20½	— ½
BcpNJ	.40	4.4	72	9⅝	8⅞	9	+ ⅛
Banctec			1169	19½	17⅝	19⅛	+1⅝
BandaM	.88	10.1	456	8⅞	8⅝	8⅝	
BangH	1.24	8.3	308	15⅛	14⅝	15	— ⅛
BankAtl			18	4¼	4	4¼	— ½
BkGrn s	.40	1.8	44	23	22	22	— ½
BnkNH	.92	8.0	207	12⅞	11¼	11½	— ⅛
BkSou	.52	5.3	3411	10⅛	9⅝	9⅝	— ⅛
Bnkest			788	1⅛	1	1	
Bankrs			772	10½	10⅛	10⅜	+ ⅛
BnkFst	.28	4.7	126	6⅞	6	6	— ⅞
BkrNte			182	2⅝	1⅞	2⅜	+ ⅜
Bknth	1.08	7.6	100	15¾	14¼	14¼	— ½
Bklowa	1.00	1.4	38	72½	70	70	— ¼
BkMAm			365	9⅝	9	9½	— ⅛
BkWorc	.25l		751	13⅜	13¼	13½	
BnkUtd			10	6	6	6	— ¼
Banta	.56	2.6	1118	22	21	21⅝	+ ⅜
Barden	1.00	3.0	4	33	33	33	—1
BaretRs			818	7⅜	6⅞	7	— ⅜
BaryJw			40	7½	6⅛	6¼	—1⅛
BsTnA			1220	2½	2¼	2½	+ ⅜
BasAm			1635	9	8¼	8⅝	+ ⅜
BosPtr s			47	14½	14	14	— ⅜
BsetF	1.00a	2.7	283	37	35¾	37	+ ½
BayVw	.45e	2.4	1674	19¼	17½	18¾	+1
BayBks	1.80	10.6	856	18½	17	17	+1
BEAvian			4160	7½	6½	6¾	— ⅜
BeauC s	.28	1.4	1050	19¾	17¾	19½	+1⅞
BeautL			54	1⅝	1½	1⅝	— ⅛
Beebas	.24	3.0	422	8⅝	7⅜	8	— ⅝
BelFuse			346	4⅝	4	4⅛	— ½
BellW s			203	3⅝	2¾	3⅝	+1⅛
BellSv			2828	2⅜	1⅞	2	— ⅜
Belmrl			244	⅞	⅞	⅞	— ⅛
BenJer			1489	17	13	16¾	+2⅞
Benhan			333	2½	2¼	2¼	
Berkley	.44	1.0	3523	42¾	41⅛	42½	+1
BerkGs	1.28	9.1	42	15¼	14	14	—1¼
BethlBc	.57e	5.3	13	11	10⅝	10⅝	— ¼
BetzLb	1.88	2.7	2157	69½	67⅛	69	+1½
Big B	.16	1.4	607	11⅜	10⅞	11⅛	+ ¼
BigOTr			437	1¼	1⅛	1	—
Bindly			318	12¼	11⅞	12	+ ⅛
BingKg			80	2¾	2½	2½	— ⅛
Biogn wt			15	6⅜	6⅛	6⅜	+ ⅜
BioLog			90	6	5⅜	5⅜	— ⅜
BioMedc			2484	16¾	15⅞	16¾	+ ⅜
Biogen			5096	17¾	17¼	17½	+ ⅜
Biogn pf	2.12	6.6	301	32½	31¾	32	+ ¼
Biomet			7635	27½	24¾	27¼	+2⅜
Biosph			57	5	4⅞	4⅞	+ ⅛
BiotcR			203	4	3⅝	3⅝	
BioTInt			264	4⅜	3⅝	3⅞	— ⅜
Birdinc			421	11½	11	11	— ½
Birtchr			558	4⅞	4¼	4⅜	+ ⅛
BizMrt			2791	16⅜	14⅞	16	+ ½
Blackl	.30e	3.0	104	9⅞	9½	9⅞	
BlisLau			39	5¾	5¼	5½	+ ¼
BlocDv			15886	8⅞	8⅛	8½	
BlckD	.70b	2.1	862	35	33⅞	34⅛	— ⅞
BRdg un			91	10½	10¼	10½	
BoatBn	2.12	6.8	6776	32	30⅞	31¼	+ ⅜
BobEvn	.26b	2.2	3429	12⅜	11⅝	12	
Bogert			198	12⅝	12¼	12½	+ ¼
Bohema	.20b	1.2	3539	17¼	15⅝	16¼	—1
BonvIF			369	7	6⅜	6⅝	— ⅛
BooleB			913	18¾	17¼	18	+ ½
BoonEl			96	3	2¾	2¾	— ⅜
Borol	.33r	6.3	65	5⅜	5⅛	5¼	+ ⅛
Borind			4456	16⅜	15⅝	15¾	— ⅝
BostAc			198	21½	19	20¾	+ ½
BostBc	.60	4.2	362	14⅞	14	14⅜	— ⅛
BstnDig			396	3	2⅞	2⅞	— ⅛
BstnFB	.24	4.7	1289	5½	4⅞	5⅛	— ⅛
BostFc s			2177	5⅞	4⅞	5	+ ⅛
BlvdBc	.48	2.5	62	19½	19	19⅛	+ ⅜
BradyW	.40	1.2	442	34¼	33¼	33⅜	+ ⅜
Brenire	.36	5.5	212	7⅜	6½	6½	—1⅛
Braids			43	2¼	2	2	
Brand			1053	30¼	31½	32¼	+1⅛
BrndSv	.15l		19	7½	7	7⅛	+ ½
Brkwt g			612	1⅞	1⅝	1⅝	
Brenco	.20	2.8	123	7⅜	7⅛	7⅛	+ ⅛
Brendle			69	7	6¾	6¾	— ½
BrdgF s	.20	1.0	18	20½	19½	19½	
BriteV			635	5⅜	5	5½	+ ¼
BroadN	.58r	4.4	10	13¼	12½	13¼	+1¼
BdwyFn	.48	6.6	82	7⅜	7	7¼	
BklynSv			2	1⅛	1	1	— ⅛
BrTom			2203	5⅞	5⅛	5½	+ ⅛
Brunos	.14	1.0	5052	13⅝	13⅛	13⅝	— ⅛
BrynMw	1.52	4.6	15	33	31	32⅝	+1⅝
BckyFn			57	8⅞	8½	8½	
Buffet s			4361	22⅝	21⅞	21⅞	— ¼
BuildT			327	12	11⅛	11½	— ¼
BulBear			63	2⅝	2½	2⅝	+ ¼
BullRGd			262	⅜	⅜	⅜	— ⅛
BurnpS			1635	14⅝	13⅜	14⅛	— ½
BurrBr			1814	10	8½	10	+1⅜
Burrlt	.08r	.8	334	11¼	10¼	10⅞	— ⅛
ButlrMf	20.00a		177	14¼	13½	14	— ¼
Bvtex			1634	9½	8⅞	9⅜	+ ½

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(Continued on Page 17)

New International Bond Issues

Compiled by Laurence Desvilettes

Issuer	Amount (millions)	Mat.	Coup. %	Price	Price end week	Terms
Floating Rate Notes						
Belgium	DM 400	1995	⅛	100.10	—	Below 6-month Libor. Noncallable. Fees 0.10%. (Commerzbank.)
Fixed-Coupons						
World Bank	DM 250	2000	8⅝	101⅜	100.40	Noncallable. Fees 1⅞%. (Bayerische Landesbank.)
Alliance & Leicester Building Society	£ 100	1995	14¼	100.475	99.00	Noncallable. Fees 1⅞%. (Baring Brothers & Co.)
GEFCO	£ 250	2002	12⅝	99.406	97.31	Noncallable. Fees 0.225%. Denominations £10,000. (Warburg Securities.)
Crédit Lyonnais	FF 1,000	1995	10	101⅝	99.53	Noncallable. Fees 1⅞%. (Crédit Lyonnais.)
European Coal & Steel Community	ITL 200,000	1995	12⅛	101.30	99.60	Noncallable. Fees 1⅞%. (Banco di Roma.)
SHV Holdings	DF 200	2000	9⅝	101½	99.63	Noncallable. Fees 2%. (Bank Mees & Hope.)
European Investment Bank	SP 20,000	2000	13.90	99½	99.20	Noncallable. Fees 1⅞%. (Banco Bilbao Vizcaya.)
Toyota Motor Credit	ECU 150	1994	10⅝	101⅝	100.08	Noncallable. Fees 1⅞%. (Paribas Capital Markets.)
Abbey National Treasury Services	FIM 150	1992	14	101.65	—	Noncallable. Fees 1¼%. Denominations 100,000 markka. (Bankers Trust Int'l.)
Export Development Corp.	FIM 500	1993	13¼	101⅛	99.75	Noncallable. Fees 1⅞%. (Postipankki.)
Skopbank	FIM 255	1992	14	100.90	—	Noncallable. Fees 1⅞%. Increased from 205 million markka. (Bankers Trust Int'l.)
Ford Credit Canada	C$ 100	1995	13⅛	101.70	100.70	Noncallable. Fees 1⅞%. (Wood Gundy.)
Barclay Australia Int'l Finance	Aus$ 50	1993	15	101.35	99.85	Noncallable. Fees 1½%. (Barclays de Zoete Wedd.)
SBC Australia	Aus$ 100	1994	14¾	102	100.50	Noncallable. Fees 1⅞%. (Swiss Bank Corp.)
World Bank	Aus$ 100	1996	14½	102	100.40	Noncallable. Fees 1⅞%. (Hambros Bank.)
Société Générale Australia	NZ$ 50	1992	13¾	101.95	100.83	Noncallable. Fees 1¼%. (Hambros Bank.)
Landeskreditbank Baden-Wurttemberg	Y 5,500	1992	6¾	100.343	—	Noncallable. Fees 1⅞%. Denominations 100 million yen. (IBJ Int'l.)
Okobank	Y 10,000	1995	7.40	101⅞	—	Callable at par in 1992. Fees 1⅞%. (Nomura Int'l.)
PKBanken	Y 10,000	1992	6¾	100⅝	—	Noncallable. Fees 1⅝%. (Mitsui Trust Int'l.)
Equity-Linked						
Cellular	$ 40	2000	8	100	—	Convertible at $14.95 per share, a 15% premium. Fees 3¼%. (Kidder Peabody Int'l.)

U.S. Bankers Still Wary of New Lending

By Nathaniel C. Nash

New York Times Service

WASHINGTON — Despite a clear signal that regulators do not want the banking industry to close its lending spigot, bankers are likely to remain cautious and require proof of a more accommodating regulatory environment before they make large amounts of extra credit available.

Bankers and industry analysts said they hoped the message delivered Thursday by the government's three top regulators would filter down to government examination staffs.

They said examiners had come down hard on bank lending practices in recent months, prompting some industry executives to accuse the regulators of arbitrarily imposing new, tougher standards and risking a credit squeeze.

This attitude is likely to mean no quick end to a tightening of credit that has occurred in some regions, such as New England. Instead, the bankers are taking a wait-and-see attitude.

"This will take a little time," said William H. Brandon Jr., president of First National Bank of Phillips County in Helena, Arkansas.

"I don't think you can do in one meeting too much more than start a process," he said.

Some bankers said they would wait until their annual audits to see if the regulatory environment had changed before they would feel safe to lend more freely.

Others said they would be able to pick up early signals from discussions with other bankers and from their experiences with examiners.

But in general they welcomed the encouragement to continue lending.

"The motive is a very positive one," said John R. Reed, chairman of Citicorp, who said that during the last week he had visited three dozen of the bank's largest real estate customers in California and Texas and concluded there was undoubtedly a slowdown in lending for large office buildings and housing.

Those markets are "relatively weak and will be for a while," he said.

The meeting Thursday put the directors of the American Bankers Association together with Alan Greenspan, chairman of the Federal Reserve Board; L. William Seidman, chairman of the Federal Deposit Insurance Corp.; and Robert L. Clarke, comptroller of the currency.

The Federal Reserve wanted to avoid any possibility that the growing publicity about a cutback on lending could develop into a full-blown credit squeeze and bring economic growth to a standstill.

The session underscored the basic and somewhat divergent concerns of the regulators.

For Mr. Clarke, the meeting was intended as a show of unanimity among the three regulatory agencies.

He and his staff of examiners have come under criticism in recent months, first for being overly lax in their supervision of lending practices in New England, and then, after the troubles of the Bank of New England, for clamping down so hard even viable small businesses in New England have not been able to get loans.

Bankers say that once the problems with real estate lending in New England became evident, Mr. Clarke sent in examiners from Texas, who had just handled the failures of many of that state's biggest banks.

Some bankers still refer to the Texas examiners as the comptroller's storm troopers.

It is true the evidence of examiners being tough is for the most part anecdotal and many banks say they welcome tough scrutiny of their books and lending practices.

But officials of the bankers group said in just the last two months, representatives from 27 state associations have come to the their Washington headquarters complaining overly tough examiners are forcing banks to restrict credit.

The regulators themselves acknowledged their examiners are being tougher, but they argued that in economically weak areas that is appropriate and to be expected.

Still, the criticism of Mr. Clarke — specifically that he was pursuing more restrictive policies than the Federal Reserve or the FDIC — prompted him to initiate the meeting, government officials said.

The idea was the three regulators could tell bankers there is fundamentally no difference in the way their agencies are examining banks.

The Fed's concerns, however, went beyond just the problem of tighter credit in some parts of the country.

The central bank wanted to avoid any possibility that the growing publicity about a cutback on lending could develop into a full-blown credit squeeze and bring economic growth to a standstill.

While the Fed could itself lower interest rates in an effort to generate more lending activity by banks, that would have been considered a much too drastic step at this point and would have far-reaching implications on other parts of the economy.

Fed officials said changing interest rates is too blunt an instrument for solving problems in just one or a few economic sectors.

Thus, Mr. Greenspan engaged in his own form of understated jawboning, telling banks it was permissible for them to take risks.

"The meeting was more than a banking-regulation issue to the Fed," said Edward L. Yingling, head of government relations at the bankers' group.

"I would read the meeting as saying not necessarily that they believe there is a credit crunch now; they would not tell you that even if they did believe it.

"But there must be some concern that down the line you could have a problem. And there has to be a concern about the current atmosphere that has been created."

Mr. Seidman said he felt the meeting was beneficial, especially since the bankers seemed to agree there was no widespread shortage of credit.

"I would think it would push them a little in that direction, although most bankers will be making those decisions based on their own best judgment, and that is the way we like to have them do it," he said.

Venezuela Calls for Latin Ties

Reuters

CARACAS — President Carlos Andrès Perez of Venezuela has shifted blame for the so-called "lost decade of the '80s" away from creditors onto Latin American governments for their failure to integrate the region's economies.

"The most dramatic occurrence of this perverse decade was the abrupt outbreak of national egoism, and the loss or abandonment of the integrationist disposition," Mr. Perez said.

The president was speaking on Friday evening at the closing of the ministerial meeting of the United Nation's Economic Commission for Latin America and the Caribbean.

He called on nations of the region to modernize their economies simultaneously as the first step towards integration.

"We have been trying to integrate artificial economies," Mr. Perez told commission delegates. "Those efforts were destined to fail. We were integrating economies too alike in their vices, unspecialized and over-protected. In other words, we wanted to integrate what was not integratable."

Modernization of the region's economies must include reform programs and a reduction of the state's role in the economy, he said.

GE's Stock Buy-Back Raises Questions for U.S.

By John Holusha

New York Times Service

NEW YORK — It was a moment of triumph for John F. Welch Jr., the chairman of the General Electric Co.

To the plaudits of securities analysts in New York last November, he declared that GE would purchase up to $10 billion worth of its own stock over the next five years, the single largest gesture of its kind in history.

Buying the stock, Mr. Welch said, was a better way to generate value for shareholders than taking a "wild swing" on an acquisition or investing in new technology.

Wall Street apparently agrees.

Mr. Welch has since been hailed as a tough-minded, results-oriented manager, and GE shares have climbed by more than 23 percent, to $68.25, compared with the 3 percent rise in the Standard & Poors 500.

A company's stock price usually rises after a buy-back because, with fewer shares in circulation, its earnings per share are likely to improve.

But many economists, academics, executives, and other observers of American industrial policy say that financial engineering of this sort is often indicative of short-term thinking and a lack of confidence.

They say it is sapping America's global competitiveness.

Rather than buying stock, they say, chief executives like Mr. Welch should be investing in new products and processes to keep homegrown inventions from being wrested away by more efficient producers abroad.

And they should be plowing money into leading-edge technologies and into basic research to develop products not even imagined today.

Otherwise, companies in Europe and Asia will surpass the Americans as they have done in consumer electronics, machine tools and semiconductors. And that could endanger America's wealth.

"If we are not willing to get to a long-term orientation, we are going to lose one strategic industry after another, and that has implications for our standard of living," said Representative Mel Levine, Democrat of California.

Corporate America's preoccupation with quarterly results emerged as a serious irritation in the 1980s.

But some observers believe th 1990s may provide an opportunity for change.

Hostile takeovers and so-called junk-bond financing, which drove companies to keep their stock prices aloft to avoid being targets of predators, have fallen out of favor.

And institutional investors, politicians, economists and industry itself are stepping forward with their pet incentives for instigating change.

But the remedies will need to be potent. Industrial America, some analysts believe, has lost its vision and nerve.

"Deep down, there is a defeatist attitude in this country about manufacturing," said Andrew Grove, the president of Intel Corp., a world leader in computer-chip manufacturing.

Perhaps nothing symbolizes this malaise better than the growing popularity of stock repurchases.

"The attitude is to throw up their hands," said Michael Borrus, a professor at the University of California at Berkeley.

"They figure, 'If I cannot compete, at least I can boost my stock price.'"

But the buy-backs, the critics warn, hurt all companies by shrinking the pool of available capital.

Shareholders who sell their stock after a buy-back-induced price rise reinvest only about a third of the proceeds, estimated Fred Branfman, director of Rebuild America in Washington, which advocates increased industrial investment.

"It is now clear that a lot is lost to consumption — to swimming pools and things like that," said Lester Thurow, dean of the Sloan School of Management at the Massachusetts Institute of Technology.

What also disturbs some economists is that the practice is no longer just a novelty among the dozen or so companies the United States depends on to lead innovation.

Among them are GE, International Business Machines Corp., Ford Motor Co. and General Motors Corp. — companies that by virtue of their size and brain-power are best equipped to do battle in the global war zone.

To be sure, the leaders of these companies say they are doing what is best for their businesses and shareholders: balancing short-term financial considerations against longer-term goals.

Most say they are adequately financing research and development and spending sufficiently on new plants and equipment.

It is difficult to compare investment levels from company to company.

One may spend less than another on research, but may use those dollars more efficiently.

And critics sympathize with chief executives' philosophical balancing act. But the critics wonder if the money executives are devoting to buy-backs would be more wisely spent strengthening their firms.

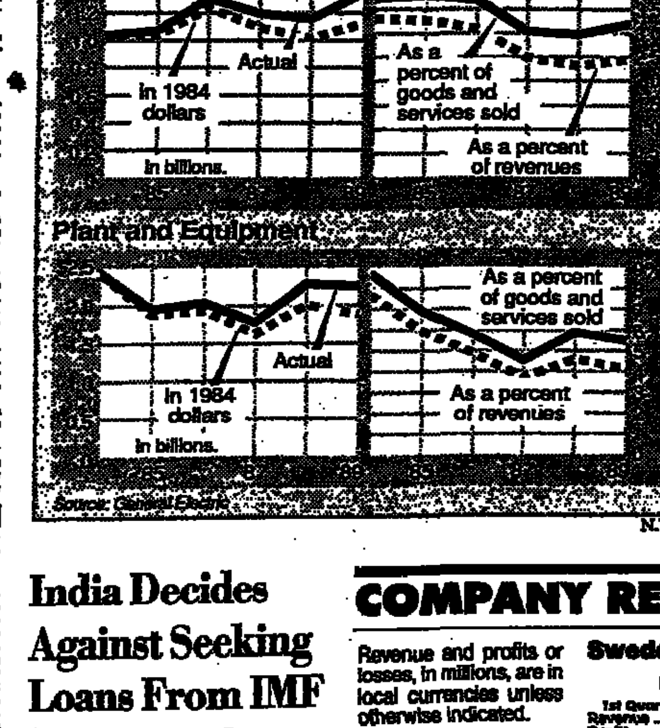
When they examine particular buy-backs, critics often speak of missed opportunities. Among those:

- GE might have pursued consumer electronics such as television and other high-risk markets rather than withdrawing to concentrate on areas where competition is more limited.
- Instead of sinking more than $10 billion into a series of stock purchases, IBM might have lunged more aggressively into the critical supercomputer segment or pursued the laptop computer market.
- To help shore up its shrinking market share, GM could have used the $2 billion it has spent on stock since 1987 to build cars with more distinctive designs.
- Chrysler Corp., which has spent $1.4 billion on stock since 1984, could have developed its own subcompact cars rather than buying them from Japan.

Like GE, these companies contend that the stock repurchases were the best available use for surplus cash.

Discussing GE's vitality, Joyce Hergenhan, vice president for public relations, pointed out that the company has remained at the forefront of businesses in which it has chosen to compete.

"We are world leaders in medical imaging," she said. "We are world leaders in gas turbines. We are world leaders in plastics. Do we have to be in Walkmen and pantyhose as well?"



N.Y.T.

Euromarts At a Glance

Eurobond Yields

	May 9	May 2
U.S. $, 8 yrs & over	9.65	9.71
U.S. $, 5 to 7 yrs	9.76	9.73
U.S. $, less than 5 yrs	9.10	9.18
Pounds sterling, less than 5 yrs	14.79	15.83
French francs, less than 5 yrs	10.33	10.57
Ital. lire, less than 5 yrs	12.40	12.45
Danish kroner, less than 5 yrs	10.60	11.03
ECU, 8 yrs & over	10.62	10.73
ECU, 5 to 7 yrs	10.64	10.85
Can. $, less than 5 yrs	13.34	13.62
Aus. $, less than 5 yrs	15.29	15.42
N.Z. $, less than 5 yrs	13.48	13.24
Yen, 5 to 7 yrs	7.54	7.53
Yen, less than 5 yrs	7.41	7.39

Source: Luxembourg Stock Exchange.

Weekly Sales May 11

Primary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	—	683.00	428.00	580.50
Convert.	2.70	—	47.30	—
FRNs	—	—	—	19.10
ECP	2,798.40	2,532.20	6,927.80	2,668.30
Total	2,801.10	3,125.20	7,395.10	3,267.90

Secondary Market

	Cedel $	Cedel Non$	Euroclear $	Euroclear Non$
Straights	3,821.40	7,099.50	9,311.70	7,447.70
Convert.	123.10	402.90	482.00	404.20
FRNs	1,961.20	1,187.90	2,837.80	2,684.20
ECP	3,072.10	2,185.80	1,909.20	3,251.00
Total	8,978.90	10,796.10	14,540.70	13,787.10

Source: Euroclear, Cedel.

Libor Rates May 11

	1-month	3-month	6-month
U.S. $	8 5/16	8⅜	8 9/16
Deutsche mark	7 15/16	8⅛	8 7/16
Pound sterling	15 1/16	15¼	15 7/16
French franc	9 11/16	9⅞	10
ECU	10⅛	10⅜	10⅝
Yen	7¼	7 5/16	7⅜

Source: Morgan Guaranty, Lloyds Bank, Reuters.

U.S. Treasury Bonds

May 11

Maturity	Close Bid	Ask	Yield	Wk.-ago yield
30.04.92	100 18/32	100 20/32	8.55	8.72
15.05.93	100 3/32	100 5/32	8.59	8.78
31.03.94	99 18/32	99 20/32	8.63	8.81
15.05.95	99 12/32	99 14/32	8.64	8.78
15.01.97	99	99 2/32	8.69	8.84
15.05.00	101 14/32	101 16/32	8.66	—
15.02.06	105 4/32	105 6/32	8.76	8.98
15.05.20	101 4/32	101 6/32	8.64	—

Source: Salomon Inc.

U.S. Consumer Rates

May 11

Tax Exempt Bonds	
Bond Buyer 20-Bond Index	7.54 %
Money Market Funds	
Donoghue's 7-Day Average	7.66 %
Bank Money Market Accounts	
Bank Rate Monitor Index	6.06 %
Home Mortgage, FHLB average	10.54 %

Source: New York Times.

India Decides Against Seeking Loans From IMF

Agence France-Presse

NEW DELHI — Prime Minister Vishwanath Pratap Singh said Saturday that India had decided not to seek loans from the International Monetary Fund.

"We do not want to get into a debt trap," the Press Trust of India quoted Mr. Singh as telling reporters in Bombay.

In deciding against IMF borrowing, Mr. Singh cited instances of certain African countries that were required to submit their draft national budgets for prior approval by the agency because of their massive debt burdens.

Planners and international financiers have said that India, stumbling under the weight of huge budget deficits and debt, could see its economic bubble burst during the early 1990s, with devastating consequences for the country's impoverished and expanding population.

COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.

Britain

British Petroleum

1st Quar.	1990	1989
Profit	344.00	608.00
Per Share	0.064	0.103

Jefferson Smurfit

Year	1989	1988
Revenue	1,468.	1,370.
Pretax Net	245.52	236.35
Per Share	0.549	0.47

Results in Irish punts.

SmithKline Beecham

1st Quar.	1990	1989
Revenue	1,298.	1,120.
Pretax Net	219.00	235.00
Per Share	0.108	0.123

Canada

Molson Cos.

Year	1989	1988
Revenue	255.00	268.00
Profits	117.91	87.12
Per Share	3.25	2.65

France

Perrier

Year	1989	1988
Revenue	17,190.	14,820.
Profit	266.00	1,030.

Fleet/Norstar Fin'l

1st Quar.	1990	1989
Net Inc.	(a)98.10	92.40

Sweden

Esselte

1st Quar.	1990	1989
Revenue	4,290.	3,960.
Profit	100.00	191.00

United States

Atlantic Richfield

1st Quar.	1990	1989
Revenue	4,220.	3,960.
Net Inc.	547.00	794.00
Per Share	3.28	4.80

1990 net includes gain of $323 million.

Continental Corp.

1st Quar.	1990	1989
Revenue	1,418.	1,498.
Net Inc.	32.20	44.20
Per Share	0.58	0.80

Nets include gains of $27.5 million vs $3.9 million.

Per Share	—	0.84

a: loss. 1990 net includes provision of $67 million and gain of $80 million.

Hoechst Celanese

1st Quar.	1990	1989
Revenue	1,290.	1,400.
Net Inc.	43.00	65.00

Loews

1st Quar.	1990	1989
Revenue	2,900.	2,420.
Net Inc.	223.60	204.50
Per Share	3.00	2.71

Pan Am

1st Quar.	1990	1989
Revenue	845.80	733.50
Net Inc.	190.70	151.10

Texas Air

1st Quar.	1990	1989
Revenue	1,860.	1,890.
Net Loss	107.10	255.50

Wal-Mart Stores

1st Quar.	1990	1989
Revenue	6,820.	5,400.
Net Inc.	253.40	198.30
Per Share	0.45	0.35

National Intergroup

4th Quar.	1990	1989
Revenue	752.80	663.80
Net Inc.	3.36	2.49
Per Share	0.09	0.06
Year	**1990**	**1989**
Revenue	2,750.	2,320.
Net Inc.	55.70(a)	15.70
Per Share	2.31	—

a: loss.

Washington Post

1st Quar.	1990	1989
Revenue	341.00	341.90
Net Inc.	39.00	41.50
Per Share	3.16	3.22

Woolworth

1st Quar.	1990	1989
Revenue	2,070.	1,880.
Net Inc.	38.00	36.00
Per Share	0.29	0.28

West Germany

PWA

Year	1989	1988
Revenue	3,800.	3,400.
Profits	90.00	87.00
Per Share	22.00	22.00

Volkswagen

Year	1989	1988
Revenue	65,350.	59,220.
Profits	1,040.	780.00
Per Share	61.00	46.00

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— **hand delivery	N.Kr.	2,700	940	1,480
Portugal	Esc.	31,000	30,900	17,000
Spain (mail)	Ptas.	35,000	25,060	19,200
— ***hand delivery Barcelona, Bilbao, Seville	Ptas.	38,000	22,060	20,900
— ***hand delivery Madrid	Ptas.	51,480	—	25,740
Sweden (airmail)	S.Kr.	2,200	1,440	1,210
— **hand delivery	S.Kr.	2,800	840	1,540
Switzerland	S.Fr.	500	446	275
Rest of Europe, North Africa, former French Africa, Middle East	$	500	Varies by country	275
Rest of Africa, Gulf States, Asia	$	650		355
Central/Latin America	$	600		330

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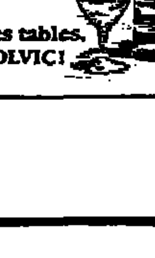

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Highlights of our Business Report as of December 31, 1989

1988		1989
DM 4.335 million	Business Volume	DM 5.706 million
DM 3.816 million	Total Assets	DM 5.036 million
DM 3.066 million	Deposits	DM 3.601 million
DM 2.554 million	Bills and Advances	DM 3.295 million
DM 180 million	Capital	DM 1.000 million

The Partners

Cologne/Frankfurt, May 1990

London Luxembourg New York Paris Tokyo Zurich

Hong Kong Firm Wins China Trade Dispute

Compiled by Our Staff From Dispatches

HONG KONG — A Hong Kong-based company said Sunday that it won a two-year trade dispute with a Chinese manufacturer that subsituted inferior latex for a high-quality grade in medical examination gloves for the U.S. market.

The case had been closely watched by China traders and Western companies as a possible guide to the attitude of Chinese courts in such disputes, a trade consultant said.

Gulf & Western Marketing Ltd. said it had received a six-figure settlement in U.S. dollars but refused to specify the amount.

A ruling by the Arbitration Court of Shenzhen, located in the southern Chinese city bordering Hong Kong, called for the defendant, China Nanhai Oil Joint Services Corp, Shenzhen Branch, to pay the cash settlement over the next 60 days. China Nanhai is a subsidiary of the state-owned Nanhai Oil Corp.

Alan Sporn, a U.S. citizen and managing director of the Hong Kong concern, initially sought damages of $2.3 million after China Nanhai failed to fulfill a one-year sales contract signed in April 1988. Gulf & Western Marketing had supplied China Nanhai with latex to make 12 million examination gloves, but the first shipment was rejected by the Customs Service.

It was eventually discovered that a Nanhai group manager had sold the latex and an inferior grade was substituted. *(Reuters, AFP)*

Investor Nervousness Hits Stocks in Seoul and Taipei

Reuters

SEOUL — Seoul stocks fell for the fourth straight day on Saturday, as bullish trading in smaller stocks failed to offset further selling of blue-chip shares, brokers said.

The market's leading composite stock index dropped 13.19 points on Saturday to 749.08, with volume at 86.4 billion won ($122 million) in a half day of trading, compared with 158.2 billion during Friday's full session. Declines led gains by 581 to 65, with 93 stocks unchanged.

Brokers said the negative sentiment, which was aggravated by large anti-government demonstrations last week, might continue *into this week because of the threat of further unrest on the* anniversary of a popular uprising in Kwangju on May 18.

In Taipei, investors worried about possible tension with Beijing over the Goddess of Democracy radio ship, brokers said.

The bourse's weighted index dropped 55.90 points, or 0.66 percent, to close at 8,361.18 compared with Friday's 8,417.08 finish. Volume fell to 65.34 billion Taiwan dollars ($2.49 billion).

BUSINESS BRIEFS

Brazil Trade Surplus Fell in April

RIO DE JANEIRO (Reuters) — Brazil's trade surplus totaled $1.20 billion in April, down 12.2 percent from April 1989, the Trade Coordination Bureau reported Sunday.

Brazil's accumulated trade surplus from January to April totaled $3.22 billion, down 41.9 percent from a year earlier.

Exports in April totaled $2.53 billion, up from $2.23 billion in March and up 5.7 percent from April 1989. Imports were $1.33 billion in April, down from $1.63 billion in March but up 29.5 percent from April 1989.

Steel Mill Occupation Is Planned

RIO DE JANEIRO (Reuters) — Workers at Brazil's National Steel Co. plan to occupy Latin America's largest steel mill on Monday to protest against a plan to privatize the state-run company, according to a member of their union.

The member of the Metal Workers Union of Volta Redonda, who asked not to be named, said the union's leadership was meeting over the weekend to plan its strategy. The union has been threatening to occupy the town of Volta Redonda, 130 kilometers west of Rio de Janeiro, where the mill is situated.

Hong Kong Output Fell in Quarter

HONG KONG (Reuters) — Hong Kong's industrial output continued to decline in the fourth quarter of 1989, when the index of industrial production fell 3 percent from the year-earlier quarter, the government said Saturday.

This compares with the year-on-year growth rates of 3.8 percent in the first quarter of 1989, 1.7 percent in the second quarter and with no growth in the third quarter, the Census and Statistics Department said.

New Caledonian Labor Dispute Ends

NOUMEA, New Calidonia (AFP) — New Caledonia's longest-running labor dispute ended Friday following 15 hours of uninterrupted negotiations between union leaders and the management of two companies in the French South Pacific territory.

The Union of Exploited Kanak Workers signed agreements with Motalev and Entrepose, subsidiaries of the Marseille-Entrepose construction and engineering group.

For the Record

IFIL, the investment company that is a member of the Agnelli Group, reported a 50 percent jump in 1989 net profit, to 82.1 billion lire ($68 million). IFIL is proposing a dividend payout of 49 billion lire, up 49.5 percent from the previous year. *(AFP)*

Arco Chemical Co. will weigh in with a new nondigestible fat substitute, joining the ranks of companies developing such fake fats to satisfy the cravings of health-conscious U.S. consumers. *(LAT)*

WALL STREET REVIEW

Figures as of close of trading Friday, May 11.

NYSE Most Actives

	Vol.	High	Low	Last	Chng.
PhilMr s	101614	44⅝	42⅞	44¼	+1⅛
GenEl	98272	68¼	65¾	68¼	+2⅝
BrMySq	91980	60¼	56½	60⅛	+3¾
TexUtil	82442	36⅞	35⅝	36⅝	+1
FdNM s	81675	38⅞	34⅞	38¾	+3⅝
IBM	81223	114⅛	110⅝	114	+3½
Citicorp	72513	24	22¼	24	+1¼
AT&T	65214	42⅝	40⅛	42¼	+1⅞
Exxon	61338	48	45¾	47⅞	+2
NtSemi	61067	7⅞	6⅞	7¾	+ ⅞
Varity	58982	3⅛	2⅞	3⅛	+ ⅛
duPont s	58588	38¾	37⅛	38⅝	+1⅝
SoralL s	56798	28	26⅜	27⅝	— ⅛
EKodak	55595	40⅝	37⅞	40⅝	+2⅞
GnMotr	54198	47⅝	45½	47⅛	+2⅛
AGnCp	53438	50⅝	48⅛	49⅝	+1⅞
SmtB eq	52250	40⅝	35⅝	40¼	+4⅛
Waste s	52660	38⅝	36⅞	38¼	+ ⅞
AmExp	52215	29	26⅞	28⅝	+1⅝
PhilPet	51917	27¼	25⅝	27⅜	+1½
McDnl s	51804	32⅝	31½	32⅛	+ ¾
Upjohn	47348	37	36⅛	36⅞	+2⅝
Baxter	46891	23¼	21⅝	23	+1½
USX	46108	34	32⅝	33¼	— ¾
HarBrJ	45447	3⅝	3⅛	3⅜	+ ¼

AMEX Most Actives

	Vol.	High	Low	Last	Chng.
BAT In	50537	11⅝	11⅛	11⅝	+ ⅜
EchoBy	30292	12⅝	11½	12¼	+ ⅜
FruitL	22880	14⅛	13⅝	14	
ICH	20386	3⅞	2⅞	3⅝	+ ½
SNk 93cwt	14941	4⅞	3⅝	4⅛	
Teleph	14130	6	4⅞	5⅞	+ ⅝
Amdhl	11569	15⅛	13⅞	14⅝	+1⅛
WDigitl	11390	12½	11⅝	12¼	+ ⅝
Hillhav n	11049	1⅛	1	1	
Dk Nk wt	10161	9⅛	7⅛	7½	—1⅝
SNk 193wt	10131	8⅛	6½	6⅝	—1⅞
WangB	10072	4⅝	4⅜	4⅜	— ⅛
Elan	10071	17⅛	14⅝	16⅝	+1⅞
ENSCO	9627	4⅝	4¼	4⅝	+ ⅛
PW Nk cwt	9332	5⅛	4⅝	5⅛	+ ¼
Coran g	9134	7⅝	7	7⅝	+ ⅝
CalEng	8839	12⅛	9⅛	9⅝	—2⅝
TexAir	8690	7⅝	6⅞	7⅝	+ ⅝
AT&E	8686	17½	15⅞	17	+1⅝
NtPatnt	8310	5⅝	5	5⅛	— ⅜
DowC rt	7946	10⅝	10	10½	+ ⅛
Alza	7287	39⅝	37⅝	39	+ ½
SNk f93wt	7069	9	7⅛	7½	—1⅝
Wibird	6767	7⅛	6⅝	7¼	+ ⅝
Nabors	6577	5⅝	5⅛	5⅝	+ ½

NYSE Sales

	Sales Vol.
Total for week	821,716,080
Week ago	499,580,080
Year ago	804,336,009
Two years ago	762,360,080
Jan 1 to date	14,238,125,808
1989 to date	15,189,870,080
1988 to date	14,022,668,008

AMEX Sales

	Sales Vol.
Total for week	49,430,800
Week ago	55,200,600
Year ago	54,950,880
Jan 1 to date	1,310,210,000
1989 to date	1,837,440,080

NYSE Diaries

	This Wk	Last Wk
Advanced	1379	1207
Declined	549	676
Unchanged	266	289
Total Issues	2194	2172
New Highs	115	58
New Lows	147	235

AMEX Diaries

	This Wk	Last Wk
Advanced	472	413
Declined	324	378
Unchanged	197	196
Total Issues	993	987
New Highs	53	25
New Lows	75	182

Sanyo Securities announces its Paris Subsidiary

On May 14 we're upgrading our representative office to subsidiary status, following the opening of our Madrid representative office on May 2.

Among Japan's securities houses, Sanyo Securities Co., Ltd. is one of the oldest — this year we celebrate our 80th anniversary — and also one of the largest. As we approach our 6th year in Paris, we look forward to providing you with the innovative brokerage, investment and related services that have earned us such a high reputation elsewhere.

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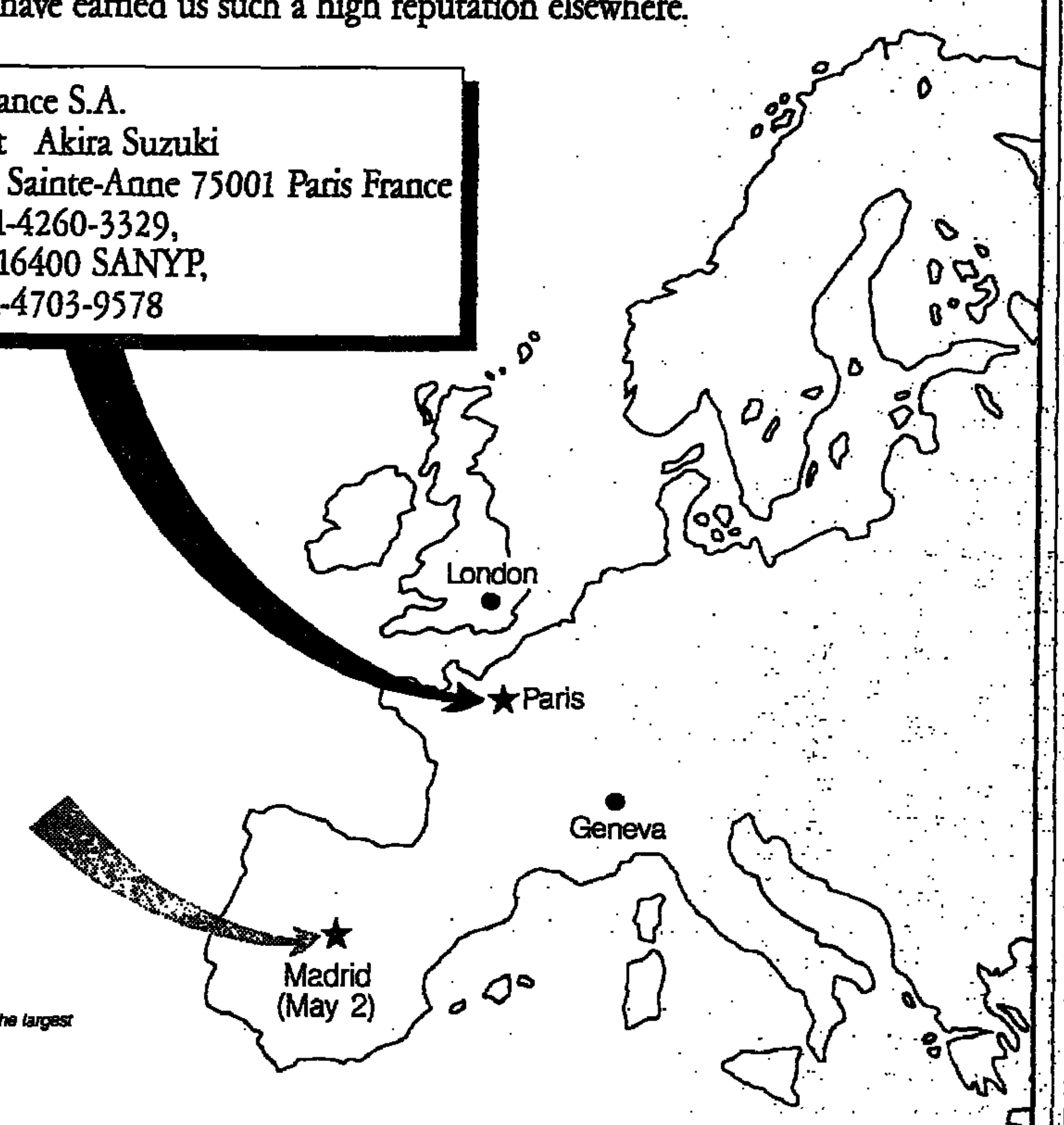

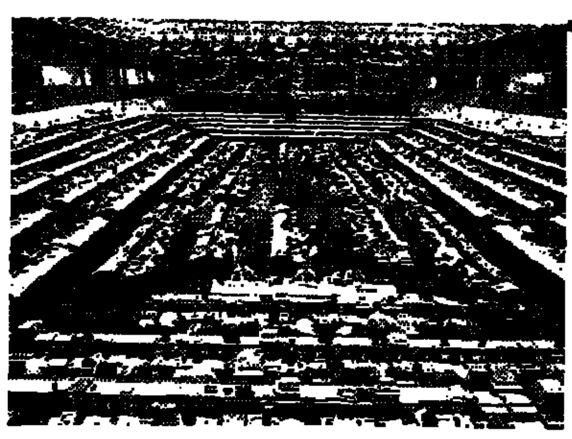
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Continued On P

A Monthly Report for the International Investor

Herald Tribune INTERNATIONAL

Monday, May 14, 1990

Personal Investing

FOCUS

Credibility Gap In Portugal

By David C. Lanchner

For sale

Company	Percent to be sold
Transinsular	49
Unicer	51
Banco Totta Acores	51
Cimpor	100
Banco Portugues do Atlantico	30-40
Cimpor	49

Source: Corporate Broking Services Ltd., London IHT

IN EMERGING markets like Portugal, rising stock prices do not necessarily correspond with improving trade deficits, lower interest rates or even stronger overall economic growth.

Such was the case last year when the Bolsa de Valores de Lisbon rose 38 percent despite steadily slowing growth and a 25 percent increase in inflation.

"What is most important in an emerging market is whether investors believe the will power exists both within the government and the population to conquer what are already severe economic problems," says Pedro Eiras Antunes, head of investments at Gestifundo, a Portuguese mutual fund company. "That can drive the market higher or lower regardless of what the numbers say."

In Lisbon, the yardstick of commitment has been the government's ambitious program to privatize the sprawling state industrial sector. Analysts say the commencement of the privatization program was largely behind the market's rise last year just as its ultimate suspension in December has largely been responsible for the market's steady decline in 1990.

After months of delay, the program is ready to resume but many analysts wonder if the new round of privatizations can spark the same enthusiasm that greeted the first phase.

"There is no question that the market can rise or fall on this issue," says Ian Rolfe, a Portuguese market analyst at Corporate Broking Services in London. "The key point is whether the delay gave the government the time it needed to iron out the problems that got in the way of the first phase of privatization."

ON THE surface, the new program, scheduled to begin in May or June with the sale of Transinsular, a shipping company, and Unicer, a brewery, certainly appears more likely to convince investors that Portugal is committed to a smooth and quick transition from state-led economic development to free-market policies.

In March, after considerable legislative debate as well as an unsuccessful court challenge mounted by the Communist Party, the central government finally won the right to sell 100 percent of a state-owned company. The government's inability to get this law onto the statute books in the last quarter of 1989 and in the first three months of this year was one of the chief reasons behind the suspension of the privatization program and the cooling of investor ardor.

Another important change in the program allows important foreign investors, who account for 50 percent of all trading on Lisbon's tiny exchange, to purchase more than 10 percent of a newly privatized company.

"The trouble is that while the government now has the tools to carry out full-fledged denationalizations, in practice they are likely to be very cautious," says Fernando Coelho, director of investment management at Lloyd's Bank in Lisbon. The suspension of privatizations was more a sign of the government's inability to cope with existing pressures than a signal of its commitment to get the program back on track," adds Mr. Antunes. "The problems are only getting worse and in the short term that is not good for the market."

The government is in a bind on the privatization front for several reasons. It has touted the auctioning off of the 70-odd state-controlled companies as a major means of correcting a huge budget deficit and has thus left itself open to charges that it intends to sell off the nation's patrimony to rich foreigners. The governing Social Democratic Party, which faces a national election next year, is particularly sensitive to such charges since most of its candidates lost an important round of local elections in December.

To ease such worries, the new finance minister, Miguel Beleza, who was brought in after the local election defeats, has promised to encourage the formation of hard cores of local investors who could

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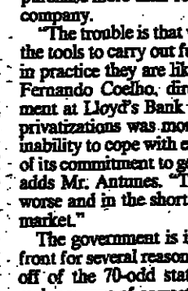
UPDATE

Scoring Gains In Health Care

By Judith Rehak



John Kaweske

New York

WHEN 500 pharmacists gathered last month to hear the latest on genetically engineered drugs, the keynote speaker was not an eminent molecular biologist. Instead, they heard from John Kaweske, a fund manager who feels at ease discussing the intricacies of "monoclodal antibodies" and "gram-negative bacteria."

Fascinated by the science that drives the industry, Mr. Kaweske has demonstrated an ability to zero in on promising companies in the health field. Last year, his Financial Strategic Health Sciences Fund gained nearly 60 percent in value and ranked fifth among all mutual funds in performance.

"That only happens once in 10 years," cautions Mr. Kaweske, who is following his usual strategy of dividing his portfolio according to the opportunities he sees in five sectors: pharmaceuticals, biotechnology, medical technology, hospital-supply companies and what he calls "niche" health-care firms.

"Because this industry is so large, you can invest in many different ways and vary risk dramatically," he notes. By keeping about 50 percent of his assets in

Continued On Page 15

Bidding War For Parisian Apartments

By Jacques Neher

Paris

REAL ESTATE developers in Paris live a charmed life these days. They start a renovation or new building with the confidence that many months before it is completed, the apartments will have sold out. Some may have even been resold by speculators at a quick profit before the building is occupied.

While the London and New York apartment markets languish amid spreading layoffs by financial services companies, the real estate market in Paris has seldom been more lively. Lately, though, there has been talk of overheating. After prices rose an average 20 percent last year, the market has leveled off a bit in the first quarter. Still, few observers see any sign of a significant retreat in real estate prices.

"I see no sign of a slowdown, but it will have to slow one of these days," says Mary Fort, officer with the Banque Immobilier de Crédit, the Paris property lending subsidiary of Midland Bank. "It's becoming too expensive, even for the foreign buyer."

Indeed, experts say Paris is quickly becoming the most expensive capital in Europe, particularly for the more spacious flats, which are in extremely short supply, and therefore rising the fastest. Between 1984 and 1988, an average seven-room flat — living room, dining room and five bedrooms — doubled in price, according to the association of notaries, the administrative middlemen in all French real estate deals. In the same period, the sale price of a typical two-room apartment rose 77 percent.

And though prices on some properties in middling neighborhoods have lately leveled off, experts predict the overall market will have another good year. The forecasters' reasoning has a familiar ring: As Europe completes its economic integration, companies will consolidate their staffs in the French capital as the most logical location for their Continental headquarters.

These newcomers will be joining a bidding war with local residents, who are already fighting for scarce good-quality housing. In 1989, prices in the more desirable *arrondissements* — the 5th, 6th, 7th, 16th and 17th — rose an average 25 percent. A recent study by the notaries association showed that between 1979 and 1989, the price of an average square meter in the 20 arrondissements of Paris increased 350 percent.

The biggest increase, 472 percent, was recorded in the 8th, the heart of the so-called Golden Triangle that encompasses the Avenue des Champs-Elysées. Even apartments in the least desirable neighborhoods like the 19th and 20th arrondissements leaped more than 330 percent. But none of the averages apply for the "exceptional" properties — flats in buildings of "*très grand standing*," located in famous sectors like the Champs de Mars in the 7th arrondissement, or facing parks like the Jardin du Luxembourg in the 6th, or fronting the Seine in the 6th, 7th and 8th.

Jacques Neher/IHT

Apartments in classic buildings like this one on Boulevard Raspail have surged in value in recent years.

"The market for exceptional properties is very tight," says Donelle Higbee of Hamptons real estate agency. "It's difficult to find good places for sale, and when they do come on the market, prices are very high."

Buyers, she notes, are now willing to pay more than 100,000 francs ($18,000) a square meter for these properties. "I have one apartment, with work to be done, at 128,000 francs a square meter, and people are waiting to visit," she says. "It's now hard to find anything really good in this category for under 20 million francs."

High quality, but smaller flats, offering two or three bedrooms, can be found for 30,000 francs to 50,000 francs a square meter, depending on the location, building and state of repair. Well-situated, but more average quality housing might be found for between 20,000 francs and 30,000 francs a square meter.

One reason for the recent leveling off of prices in some areas has been the retreat of American buyers, experts say. A strong franc has cut into American buying power substantially. The dollar currently buys around 5.6 francs, compared with 10 francs five years ago.

But Japanese and South American buyers have been taking up the slack. "The Japanese are buying whatever they can," says Ms. Fort. "They'll come into town for three days and pick up three properties in the 35-million-to-40-million-franc category, or maybe they buy a *hôtel particulier* for 200 million francs."

Continued On Page 14

Bargain Hunters Target Amsterdam

Some experts say Dutch stocks offer a low-cost bet on Germany.

By David C. Lanchner

Paris

WHEN investors survey European markets, it is difficult to resist the potential of Germany. Companies there stand on the brink of enormous development, nearly all observers agree, as Europe tears down internal economic barriers and integrates the countries to the east.

But there is a problem. That view is so pervasive that German stock prices already reflect much of the future earnings of companies. That is why many analysts have turned their sights on the Dutch market.

The Netherlands, which sends some 30 percent of its exports to West Germany, could reap the benefits of German unification while largely avoiding the negatives that will accompany it. Put simply, says Mike Young, a European market strategist at Merrill Lynch in London, "Holland is positioned to participate in a rapidly growing German market without facing the maze of problems associated with absorbing a population of 16 million people."

For investors in Amsterdam's stock market, the potential benefit to the Dutch economy could mean gains that outpace Germany's. Since the fall of the Berlin Wall in November, German share prices have appreciated nearly 40 percent. But in the same period, the Dutch market has remained flat.

"In Germany the average stock sells for 16 to 17 times annual [prospective] earnings," says Fokko Tuin, an analyst at Kempen & Co. in Amsterdam. "Investors who worry about the cost of unification are uneasy paying those kind of high prices and will look for more reasonably priced markets that are better insulated from the uncertainties."

Mr. Tuin believes that in the second half of the year the Amsterdam stock market could rise 10 to 20 percent. At the same time, he expects the Frankfurt bourse to fall 5 to 10 percent. But the real payoff for Amsterdam's investors will come if the Netherlands overcomes domestic problems largely unrelated to issues of German unification. Then the margin by which Amsterdam outperforms Frankfurt could rise dramatically.

In Germany, funding the conversion of largely worthless East German marks into West German marks may have the simultaneous effect of increasing the newly unified country's interest rates as well as the supply of money in circulation. At a time when German industry is nearing full production capacity, higher interest rates will increase the costs of borrowing for expansion while increased money supply could lead to a damaging inflation spiral that could further undercut corporate earnings.

The Netherlands' industrial production is still comfortably below full levels, and there are no clear domestic pressures on money supply. Investors in Amsterdam do not need to worry about other costs that Germany will have to foot as it expands. These expenses include large-scale training and modernization programs that will probably be necessary to get East German industry off the ground.

Unfortunately, for the next months

Continued On Page 16

Comparing Value

To gauge the relative costs of markets, professionals often compare the key financial ratios below.

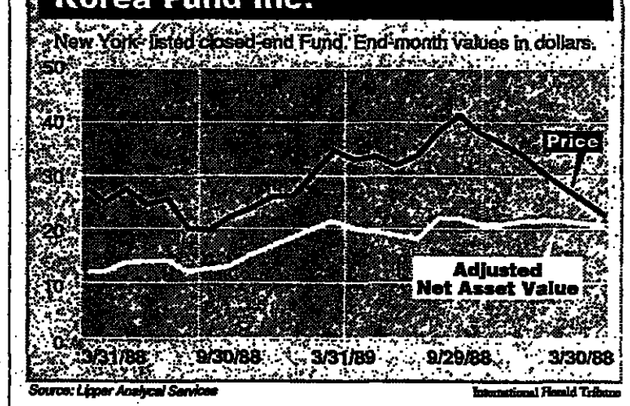
	Average for German Stocks	Average for Dutch Stocks
Price-Earnings Ratio Share price divided by annual per-share profit	19.4	9.4
Price-Cash Flow Ratio Share price divided by per-share cash flow	6.5	4.8
Price-Book Value The value of shares divided by the value of the assets minus liabilities.	2.6	1.4
Dividend Yield Share price divided by the annual dividend	2.7	4.7

Source: Morgan Stanley Capital International. Data as of March 30, 1990. IHT

FUNDS

Korea Fund Inc.

New York-listed closed-end Fund. End-month values in dollars.



Source: Lipper Analytical Services International Herald Tribune

Seoul's Slump Jolts the Funds

Big premiums are a thing of the past, specialists say.

By Samantha Sparks

WHEN South Korean authorities began opening their markets to foreigners in the early 1980s through the creation of special funds, investors rushed to get on board. Fired by the prospect of cashing in on what has been touted as the biggest success story in Asia after Japan, investors willingly paid anywhere from 20 percent to 120 percent more than the underlying value of the funds' shares, making the Korean portfolios listed on the New York Stock Exchange and the London exchange among the most popular country funds.

In many cases, the ride was worth the price of the ticket. When the Seoul stock market's composite index shot up by nearly 93 percent in 1987 and by 73 percent in 1988, the investment funds consistently delivered among the world's highest returns.

But lately, the market has had to face up to the problems that come with maturity — and just when the Korean authorities are due to open the door even wider to foreign investment. Weakness in the domestic economy seems to defy the usual government-orchestrated remedies, while fiesty labor unions appear intent on claiming a bigger share of the country's newfound wealth. The accumulated anxieties finally crushed the morale of investors in April. After peaking at 1,007, the local composite stock index slid to 689 by the end of the month.

"The confidence of investors pretty much collapsed," acknowledged Gene Ryang, an analyst at W.I. Carr in Seoul. The effect on the two largest funds — the New York Stock Exchange's Korea Fund and London-listed Korea-Europe Fund — has been dramatic.

Though they traded only a year ago at prices equal to almost twice their net asset value, in recent weeks they have been quoted at premiums of only a few percent and, occasionally, at discounts. With some Western newspapers carrying photos of angry Koreans besieging brokerage offices, foreigners clearly took a more circumspect view of Korean funds.

In the last two weeks, the market has begun to regain its equilibrium, helped by government measures that include steps to stem the flow of speculative money into real estate. Long-time observers of the market call the selloff a typical overreaction by investors and note that the economy remains in fairly good shape.

The Bank of Korea has predicted 7 percent growth in the economy for 1990, a far cry from the 12.2 percent growth of 1988, but up about 1 percent from last year. Export growth, a mere 3 percent last year, is also expected to recover somewhat in the second half of the year on the strength of a devalued won and the government's commitment to put a lid on wage increases.

Continued On Page 14

SKANDIFOND MUTUAL FUNDS
LUXEMBOURG

Performance in USD, March 1989 to end of March 1990

SKANDIFOND CONTINENTAL EUROPE	40.3%
SKANDIFOND NORDIC	32.9%
SKANDIFOND GLOBAL	27.1%
SKANDIFOND NORTH AMERICA	22.3%
SKANDIFOND INTERNATIONAL	16.6%
SKANDIFOND MEDITERRANEAN	15.7%
SKANDIFOND FAR EAST	15.5%
SKANDIFOND UK	2.9%
SKANDIFOND JAPAN	-5.7%

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FUNDS

A Slide In Korea Funds

Continued From Page 13

Indeed, some investors who for years found Korean instruments too pricey are back in the market, taking advantage of the downturn.

"It's a great time to buy," says Antoine Van Agtmael, president of the Washington-based Emerging Market Investors Corp. "We went into Korea last week for the *first time in two years.*"

Jonhee Won, an analyst at Robert Fleming in Seoul, concurs but would adopt a cautious stance. "You don't have to rush to get into this market," he says. "We expect the consolidation to continue into the second half."

In addition to labor problems, inflation will remain a worry. One reason the government was afraid to indulge in the usual pump-priming was the fear it would fuel another round of price increases. The market was also vulnerable to another round of international interest-rate rises. And further setbacks to the Tokyo market could add to Seoul's problems.

Even the optimists concede that Seoul is now a more mature market that probably will not generate the wildly large returns of past years. "It's unreasonable to expect a return to the heady days of the late 1980s, when we had double-digit growth," says Peter Irving, managing director of the Korea-Europe Fund.

FOR potential buyers of the funds, one of the big question marks is the effect of the next stage of market openings. The government plans to open the market in 1992, allowing foreigners to purchase some shares directly rather than through funds. This opening will allow big institutional investors to bypass the funds, convertible bonds and warrants that currently are their only avenues into the market. As the market opens further, the reasoning goes, there will be far less reason for investors to chase the funds' shares into steep premiums over net asset value.

"Premiums will never be as high again as they were because of the liberalization," says Mr. Van Agtmael.

While that may be true, some analysts believe the government may delay the opening, and, when it does come, the number of shares that will be open to direct foreign purchase will be so scant that premiums on the funds could be maintained.

Skeptics about the pace of liberalization point to the early April decision to postpone introduction of legislation requiring that account-holders use their real names. Many feel that the market will not be liberalized until this system is in place, since use of real names will make it easier to regulate foreign investors. Other observers believe the government will be reluctant to open the market when share prices are low, because foreign purchasing power will be relatively high.

But there are also analysts who argue that foreign demand will be needed to stimulate the market. Thae Kharg, a senior analyst at Baring Securities in Seoul, said the steep drop in premiums that accompanied the market slide may actually make it easier for the government to advance the opening.

"It's possible that the government will step up the liberalization in order to save the Korean market, and because they won't mind *losing the premiums,*" says Mr. Kharg.

In any event, the range of shares open to foreign investment will likely be small, helping to bolster fund prices. Robert Kim, vice president of the Korea Fund, likens the situation to Thailand, where there are two classes of stocks, those for residents and those for foreigners. The two-tier share system means foreigners often have to pay a premium. These restrictions are one reason that some Thai funds carry a premium even though the market has been opened to foreigners.

"The main thing that investors have to keep in mind is that the Korean market will not be open 100 percent," said Mr. Kim.

IN FACT, a number of fund management companies have launched new Korean funds in the last year on the view that the opening of the market will help boost Seoul stock prices. The new entries include Baring Securities' Baring Korea Fund and GT's Korea Fund, both of which invest in other Korea funds and in convertibles and warrants; Citizens Investment's Korea 1990 Trust, recently listed in Hong Kong, and Tyndall International Asia's Korea Liberalization Investment Trust. The government also announced plans last week for a new Korea Asia Fund.

Most of these funds are investing for long-term capital gains. While their prices have been dragged down with the rest of the market, fund managers insist that the long-term outlook is bright. □

Korea Funds: Old and New

Fund	Manager	Launch Date
Korea Fund Inc.	Scudder, Stevens	Aug-84
Korea-Europe Fund	Korea Schroder Fund Mgt.	Mar-87
Korea Trust	Daehan Investment	Nov-87
Seoul Trust	Daehan Investment	NA
Korea Emerging Cos.	Daehan Investment	Mar-86
Korea Int'. Trust	Korea International Trust	Nov-81
Seoul Int'l. Trust	Korea International Trust	Apr-85
Korea Sm. Cos Trust	Korea International Trust	Dec-85
Korea Growth Trust	Citizens Investment	NA
Baring Korea Fund	Baring International	Oct-88
GT Korea Fund	G.T. Management (Asia)	Oct-89
JF Korea Fund	Jardine Fleming	Jun-89
Korea Liberalisation Tr.	Tyndall Management	Feb-90
Korea 1990 Trust	Citizens Investment	Mar-90

International Herald Tribune

Even the optimists concede that Seoul is now a more mature market that probably will not generate the wildly large returns of past years.

REAL ESTATE

Paris Apartment Boom

Continued From Page 13

Investment advisers say there are plenty of opportunities for investors seeking rental properties. But buyers make their money on the resale of property, not rental income, advisers warn. At best, rent represents only a 4 percent annual yield on the cost of acquiring a property. The yield might be even less — and possibly disappear altogether — if a third-party management company is required to look after the property for the absentee landlord.

Given the buoyancy of the market, foreign buyers seeking to finance their purchase find no shortage of lenders. Posted rates on the standard fixed-rate 15-year loans are currently between 10.8 percent and 12 percent, though these are often negotiable. Extended payback periods, ranging to 20 or 25 years, were rare a few years ago, but now are offered by some of the major banks such as Crédit Agricole. Most banks require a 20 percent down payment, though a few, like Midland, offer 100 percent financing if the buyer resides in France.

But financing costs are only one part of the burden of owning French properties. Foreign buyers are often jolted by the range of transfer fees and taxes imposed. These include:

- Transfer and notary fees, which add up to 10 percent of the *purchase price* on a previously occupied flat and 3 percent if the flat is new. "This often comes as a shock to foreigners," notes one agent.
- A 33-percent capital gains withholding tax upon resale if the property was not a principal or secondary residence. The actual gain is adjusted for inflation before the levy.
- The inheritance tax, a sliding one-time tax of between 5 percent and 40 percent (for property valued over 11.2 million francs) imposed on spouse, children or parents upon death of the property owner, irrespective of the nationality or domicile of the deceased. France has the stiffest inheritance tax in Europe.
- The "solidarity tax on fortunes," which last year replaced the "large fortunes tax" of the early 1980s, is a sliding wealth tax of between 0.5 percent and 1.5 percent. It applies to both residents and nonresidents holding total assets in France valued over 4.13 million francs.
- The occupation tax, or *taxe d'habitation*, which is calculated on the rental value of the property, even if it is occupied by the owner; and a property tax, called *taxe foncière*, which is imposed on 50 percent of the property value. The rates for both taxes vary significantly from city to city. □

In addition to financing costs, foreign buyers are often jolted by the transfer fees and taxes imposed on French properties.

Eurotunnel Property Scramble

Paris

IN SEARCH of a vacation home in France, the British have come down with a bad case of tunnel vision — Eurotunnel, that is. In the past year, U.K. investors have swarmed into northern France, buying up little farms and houses that had been on the market for years.

"These were properties that no Frenchman would want to buy, and now the owners were able to sell them, and with prices 20 percent to 30 percent over their value," says one agent. "The tunnel has had a major effect."

Despite Eurotunnel's current financial problems, the prospect of the 31-mile (50-kilometer) railroad under the English Channel being completed in 1993 has sparked life into a region that had been much abandoned by the French since World War II.

Much of the demand has centered on an area within a 50-mile radius of the tunnel's French landfall, near Calais, which would put Londoners within a three-hour drive, door-to-door, of their new summer home. However, brokers also report increased buying activity by the British all along the Normandy and Brittany coasts, a driving distance from London of four to five hours via the tunnel.

Though prices are continuing to advance in the region, brokers say the fever has subsided, partly as a result of high interest rates in Britain and the drop of the pound against the franc. A year ago, the pound could buy more than 11 francs; now it can buy only 9.2.

British buyers have also grown more knowledgeable about the ins and outs of the market, thanks to regular coverage of the region in the local press. Nevertheless, property values are still attractive to the British, especially relative to similar country properties in southern England. A typical farmhouse with a little property, located on the outskirts of a small town in the Pas-de-Calais region, might sell for £50,000 to £75,000 ($83,500 to $125,250) perhaps 50 percent less than a like property on the other side of the channel, brokers say.

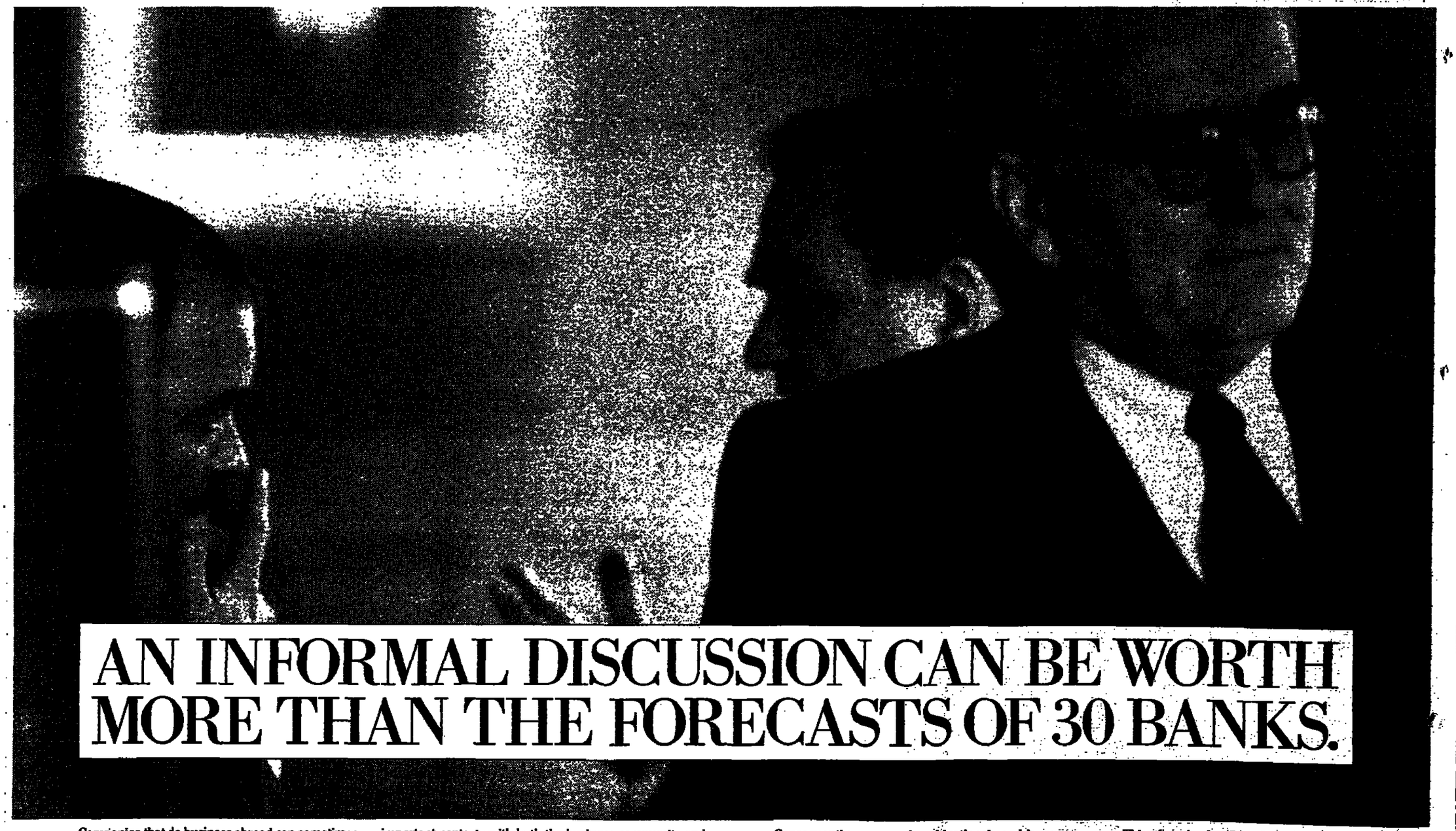
British experts, however, warn their clients to think of their purchases strictly on the basis of a vacation and not to be swept up in the speculative fever.

"Northern France is never going to be a long-term proposition" for speculating, says Richard Newton of European Property Markets Ltd., a U.K. agent. "Who's going to buy these properties in five or 10 years? It won't be the French, because they already moved out of this area long ago and they don't want to come back. And the Scandinavians are looking for someplace warmer."

The other risk, of course, is that the tunnel will not be completed. The project is already suffering from 50-percent cost overruns — the price tag is now at £7.5 billion — and some question how much patience its lenders will show if further overruns develop.

"If something happens to the tunnel, prices in the region will fall immediately," says Patrick Arie, manager of Midland Bank's property lending office in Lille. "No one in France is interested in these properties." □

Jacques Neher



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COLLECTING

A Growing Passion for Pearls

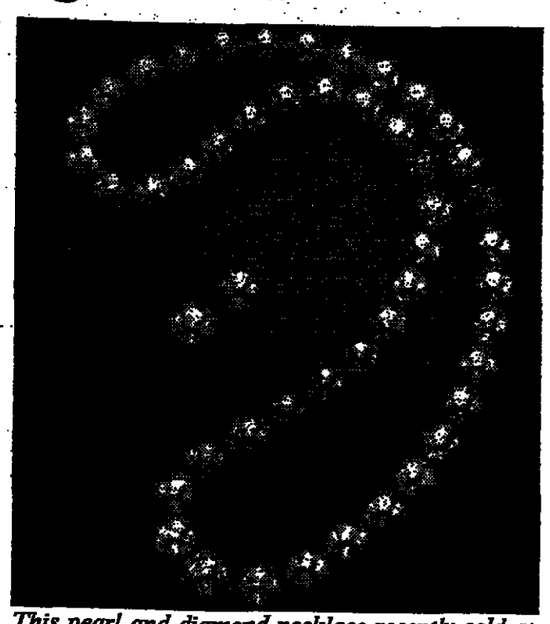
By David C. Lauchner

Paris

PEARLS HAVE tumbled far from their heyday at the turn of the century when they often composed the most valued part of celebrated jewelry collections. The advent of oyster farms capable of mass production and the growing reputation of pearls as accessories for stodgy society matrons inevitably sent prices into a long decline.

But in the last several years changes in taste have led to a revival of the pearl's popularity and, at least for some varieties, astonishing price gains. According to dealers, large, white pearls have seen their value more than double in the past five years. Other smaller or colored pearls, which do not correspond as well with the shift in popular tastes, have appreciated between 30 percent and 50 percent.

According to experts, pearls have been helped by the passing of the minimalist fashions that dominated the '60s and '70s. "Pearls are the height of chic because flash and size are in these days," says Robert Fawcett, one of the owners of The Cultured Pearl Company, a large London pearl importer and wholesaler. "If you open any magazine, you see models positively dripping with huge, elaborate costume jewelry."



This pearl and diamond necklace recently sold at Sotheby's for $4.7 million.

Adding fuel to the pearl's newfound popularity are the prominent women who wear them, such as Barbara Bush and Britain's Princess Diana.

"Women also feel safer wearing big pearls," says John Block, head of Sotheby's jewelry department. "The feeling is that criminals are more tempted by diamonds or rubies." At jewelry auctions only diamonds have appreciated more sharply than pearls over the last several years, according to Mr. Block.

The biggest pearls, known as South Seas pearls, range in size from 12 millimeters to 19 millimeters, the size of a very large marble, and come in colors that range from steely white to rose and yellow.

"If you have a choice between buying several pearl jewelry pieces or one really fine one, it is better to buy the one item," says Simon Teekal, a jewelry expert at Christie's. "It is likely to hold its value better since there will always be a group of aficionados who appreciate it."

Pearl quality is judged by five main yardsticks: shape, size, color, "luster" (the pearl's sheen) and absence of blemishes, known as "cleanliness." These standards apply differently to the various categories of pearls. For example, a large rose-colored Japanese pearl, although smaller than some South Sea pearls, could be worth more if it is a finer example of its particular category.

One type of pearl that specialists say may quickly gain on the South Seas variety is the black Tahitian pearl. "These are smaller than South Seas pearls but they are still pretty large," says Mr. Block. "I think that many women who have bought white pearls will want black pearls to complete their collection." □

PROFILE

Health-Care Winners

Continued From Page 13

solid, big-name pharmaceutical and hospital-supply companies like Johnson & Johnson and Eli Lilly, Mr. Kaweske can explore opportunities in more complex and volatile areas such as the biotechnology field. Indeed, biotechnology and innovative niche stocks fueled much of the fund's big run-up last year, and remain his investment favorites.

"I've shifted about 5 percent of my assets from other groups into biotechnology, raising it to about 27 percent," the portfolio manager says.

Right now, Mr. Kaweske is enthusiastic about Centocor, a biotechnology company that represents the largest holding, about 7 percent, in Health Sciences' portfolio. The attraction is the company's genetically engineered antibody for treating septic shock, which results from deadly infections in patients recovering from surgery, causing an estimated 80,000 deaths in the United States each year.

In a scenario common to the fiercely competitive biotechnology field, Centocor has just been sued by its archrival, Xoma Corp., for patent infringement on the antibody. But Mr. Kaweske remains convinced of the superiority of Centocor's product.

"It's made from human cells, rather than mouse cells like Xoma's and has been proven in clinical trials to reduce the death rate by nearly 40 percent," he says. "There isn't a judge alive who would prevent the marketing of a life-saving product."

The product is not yet on the market, but he estimates that the company's shares, now trading around $30, could go as high as $75 in two to three years. "Centocor will be one of the outstanding stocks of the health care industry," he predicts.

Another core holding is Johnson & Johnson, the pharmaceutical and hospital supply company. Besides its excellent management and strong balance sheet, Mr. Kaweske is impressed by its marketing rights to E.P.O., a lucrative new anti-anemia drug. "It's exciting because it can produce red blood cells in patients who are anemic because of therapy for cancer and AIDS," he says.

Johnson & Johnson is now selling E.O.P. in Europe and, according to Mr. Kaweske, will start marketing the product in the United States for AIDS patients in about two months.

A third company that has caught the money manager's attention is T-2 Medical, one of his favorite niche plays. "It embraces the cost-cutting theme by allowing patients to have intravenous therapy at home, rather than in a costly hospital setting," says Mr. Kaweske.

The therapy can be used for hemophiliacs, cancer and AIDS patients, and with the industry growing at 20 percent a year, he believes the stock, now around $24, could go to $32. Many of these small, innovative companies have the added allure of acquisition potential, he notes.

Mr. Kaweske expects the overall stock market to be up about 4 percent to 5 percent this year and believes his fund can outperform that by 8 to 10 percentage points. "My objective is a 15 to 20 percent appreciation each year," he says.

However, his efforts got off to a rocky start this year when the fund, whose assets ballooned from just under $10 million at the start of 1989 to a high of $50 million, was hit with a spate of redemptions, forcing him to sell into a down market. Now, with the fund at around $44 million, he thinks the worst is over, and is reviewing his holdings.

He can afford to be choosy, with the health care industry currently representing 11 percent of U.S. gross national product and projected to rise as high as 15 percent by the year 2000. Moreover, Mr. Kaweske does not see a downturn in the economy as having a significant impact on this performance. "The industry is fairly insulated," he observes. "If you're sick, you still have to go to the hospital and take medicine." □

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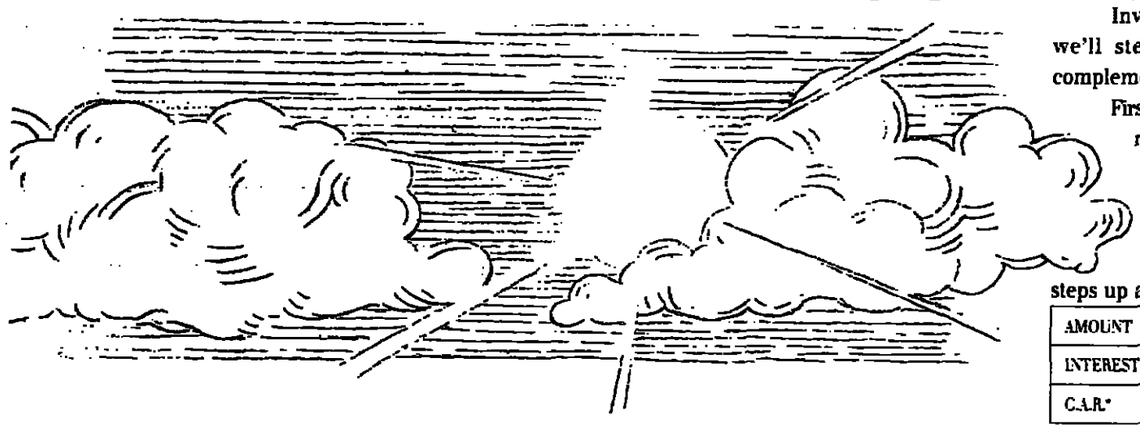

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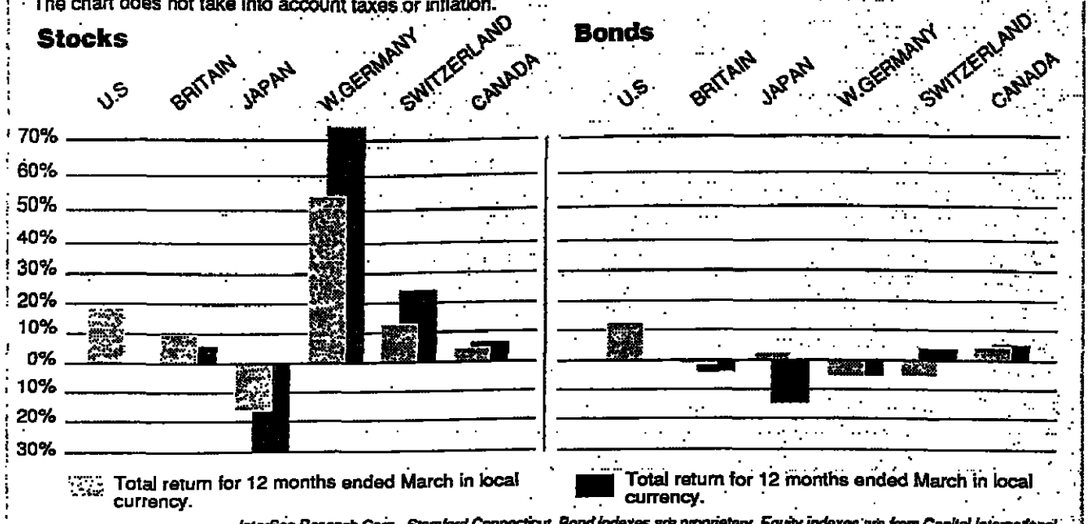

InterSec Research Corp., Stamford Connecticut. Bond indexes are proprietary. Equity indexes are from Capital International.

International Herald Tribune

Investors Turn to Dutch Stocks

Continued From Page 13

some of the Netherlands' own uncertainties may muffle these advantages for Dutch stock market investors. One bit of bad news concerns the problems both the Japanese and American economies are facing. Germany is the Netherlands' largest trading partner but Dutch companies tend to have significant operations in other important world markets as well.

"Because of the small size of Holland, Dutch companies rely very heavily on international operations," says Willen Van Alderwerelt, chief of stock research at Bank Mees and Hope in Amsterdam. "The Japanese market crash and worries about the strength of the American economy are inevitably creating worries in Holland as well."

THAT anxiety comes on top of growing concerns about domestic inflationary pressures stemming from high wage demands.

"After three years of virtually no real increase in wages, unions are demanding increases of roughly 3.25 percent this year," says Robert Sweers, a Dutch market specialist at Parisbas' Amsterdam office.

A government promise to tie social security and welfare payments to wage increases is making the problem more severe, he says, and may also ultimately prevent the government from meeting goals on reducing its budget deficit.

Mr. Sweers believes, however, that the Dutch economy is basically in very good shape. "Investors may start to worry less about these problems when they realize that they are minor in the overall picture," he says.

Although inflation has picked up in recent months from an annual rate of 1 percent to a rate of 2.5 percent, this is still the lowest rate in Europe. The Netherlands also benefits from an increasing trade surplus and an annual growth rate that is one of the highest in Western Europe.

But the real payoff for Amsterdam's investors will come if the Netherlands overcomes certain domestic problems. Then the margin by which Amsterdam outperforms Frankfurt could rise dramatically.

The one wild card that could dent returns in both the German and Dutch markets is interest rates. If the German central bank resorts to ever higher interest rates to choke off inflation, Dutch interest rates will have to rise, too.

"If short-term interest rates rose much over 10 percent, that could send both Germany and Holland into a recession," says Mr. Tuin. But the analyst adds that with current three-month rates at 8 percent, "central bankers have considerable room for maneuver before things reach such a crisis point."

Companies that analysts say are most likely to benefit from German unification are concentrated in the transportation and capital goods sectors.

Transport analysts tend to put particular emphasis on companies with operations in Rotterdam, continental Europe's largest port and a major point of entry for goods destined for Germany and Eastern Europe.

A capital goods stock that analysts are particularly enthusiastic about is VMF Stork, a major producer of food-processing and packaging machinery as well as air-conditioning systems and diesel engines. The company, which sells at a price that is roughly 11 times annual earnings, saw its overall sales in Eastern Europe triple last year.

PACKHOED, a shipping and storage company based in Rotterdam, is also expected to benefit from increasing East German business. The company posted a 38 percent increase in earnings last year and sells at a price that is 9.7 times annual earnings.

Another stock attracting attention is the Dutch moving company Frans Maas Beher, whose headquarters is only a few miles from the German border. In addition to extensive German operations, the company has stakes in major transportation firms stretching from France to Turkey. Shares in the firm, however, sell for more than 14 times annual earnings. The average multiple on the Amsterdam stock market is 10. □

Lisbon: Cautious Moves

Continued From Page 13

prequalify for shares in major companies before they are privatized. In Portugal, however, the only institutions and individuals who have enough cash to buy stakes in these privatized companies — pension funds, insurance companies and corporate treasurers — have a demonstrated aversion for the stock market. "Under the old Socialist economy, the stock market basically did not exist," says Mr. Antunes. "Local investors who prefer bonds to stocks, still have not gotten used to it," according to Mr. Antunes.

Moreover, the investors the government does find will probably have to be given the same, special low prices as they were in the first round of privatizations. "It's a situation of David versus Goliath; Portuguese groups just don't have the kind of cash that foreigners do, so they must be subsidized to some extent," says Mr. Coelho. A third group of possible bidders are company employees, who in the past have requested and been granted even lower-priced blocks of auctioned state companies.

Many analysts say a continuation of this kind of Dutch auction system is likely to reinforce investor worries about fair prices and the slow pace of change in Portugal. The difficulty finding local investors is also likely to mean that the government will place high limits on foreign investment despite the rule allowing non-Portuguese to buy more than 10 percent of any particular company.

Government efforts to encourage local investors to buy privatization issues may also produce a damaging selling stampede in stocks already listed on the Libson exchange. "You could see them selling shares they already own to raise cash for the new issues," says Mr. Rolfe.

Further complicating the situation is the ambivalent attitude of many of Portugal's leading industrialists. Before the 1974 military coup many of these men owned the state-controlled companies. The leftist military regime nationalized their holdings without providing compensation and now some of the industrialists are calling for the restitution rather than the sale of these industries. "Unfortunately, these are precisely the people who would normally support without reservation the sale of state companies," says Mr. Antunes.

Altogether, the pressures are likely to mean continued delays and questions about how open the auction process will be.

But even if privatization continues to encounter problems, analysts say that Portugal is irreversibly set on a course of free-market reform. "Although there is disagreement about how privatization should take place, there is broad support for the basic process," says John Ferriera, a Portuguese market analyst at Schroder's in London. Adds James Lyle, a Portuguese specialist at Morgan Stanley in London, "Even if there is a certain amount of kicking and screaming, the country has no choice but to free up stunted markets in preparation for European economic union in 1992. In the long run that can only benefit the stock investor."

Two stocks that analysts pick as good bets for the long run are Sonae, a large food retailing and construction firm, which sells at a price that is roughly 10 times its annual earnings — about equal to the overall market's multiple — and Paplaria-Fernandes, a medium-size distributor of office products with an earnings multiple of about 12.

Investors who do not want to deal with the often complicated process of buying stock directly in the Portuguese market can purchase the Lloyd's-sponsored Portugal Fund, listed on the London Stock Exchange, or Donaldson, Lufkin Jenrette's Portugal Fund Inc., listed on the New York Stock Exchange.

Additionally, both Baring Brothers and Shearson Lehman Hutton offer locally registered funds that, unlike the other funds, are not subject to limitations on foreign holdings in newly listed companies. □

April Market Scoreboard

Best Performers	Price April 30	Percent Change
New York Stock Exchange		
Telecom USA	28.00	+55.6
Interfile	22.00	+46.8
Applied Magnetics	13.13	+36.6
Barnett Banks	44.00	+29.6
Baltimore Bancorp	15.00	+25.0
Japan OTC Equity Fund	16.50	+24.5
Motel 6 LP	15.88	+23.5
Danaher	18.25	+21.7
Macy Goldring&Co	27.38	+21.6
Norton Co	88.00	+21.0
American Stock Exchange		
Silicon Gen	16.25	+62.5
ATI Medical	14.38	+43.8
Advanced Logic Res	12.25	+40.0
Solec Corp	16.25	+30.0
DEA Inc	17.13	+28.0
Over the Counter		
Shoney's	14.38	+43.9
Computer Assoc	74.25	+42.9
Centocor	28.25	+41.4
Genzyme Corp	19.88	+41.4
Oracle Systems	19.25	+37.5
London Stock Exchange		
Lonrho Properties	218	+36.0
Rosehaugh	198	+32.0
Davy Group	208	+30.0
Williams&Glyn	278	+29.0
Dixons	268	+28.8
General Electric	157	+28.0
BSN Group	268	+27.0
Sainsbury	268	+26.0
Boots Co	268	+25.0
Bunzl	268	+24.0
Brambles Industries	768	+23.0
Tokyo Stock Exchange		
Kumagai Gumi	1700	+54.5
Fujita Kanko	4300	+43.3
Oji Paper Co	1,060	+27.0
Sekisui House	1,600	+26.8
Sumitomo Corp	1,000	+25.0
Mitsui Mining	1,000	+24.5
Kanto Ice	1,000	+22.5
Mitsui Co	1,000	+22.1
Mitsui Trust&Bk	1,000	+22.0
Nippon Oil Co	710	+21.9

Worst Performers	Price April 30	Percent Change
New York Stock Exchange		
Financial Security	11.13	-33.6
Datapoint	18.50	-30.5
Donaldson Inc	10.75	-30.1
Tylan General	10.75	-29.0
Triton Energy	16.25	-28.4
Grace Energy	16.38	-27.5
Amer Barrick	21.63	-27.5
Hecla Mining	10.25	-25.5
Homestake Mining	14.00	-24.3
Cyprus Minerals	17.00	-23.2
Chevron Corp	76.88	-22.9
American Stock Exchange		
Cetus Corp	11.00	-52.6
Cetus Corp Warrants	11.00	-28.7
Amer Biomedical	14.00	-22.2
Cetus Corp Units	71.50	-22.7
Cetus Corp Rights	13.00	-22.4
Over the Counter		
Stratus Computer	13.50	-35.4
Cognex Corp	15.25	-27.2
Computer Assoc	12.88	-26.8
Centocor	11.00	-26.1
Cadence Design	16.75	-25.5
Oracle Systems	19.25	-25.4
London Stock Exchange		
Lonrho	4.50	-34.8
Polly Peck	4.88	-30.4
Coats Viyella	6.88	-28.2
Ops Technology	6.00	-27.3
Storehouse	2.50	-25.8
Sunley Holdings	3.00	-25.0
Mirror Group	2.50	-23.0
Reed Int'l	2.38	-22.6
Hanson	2.38	-22.1
Marks&Spencer	4.38	-22.0
Argyll Group	2.38	-21.9

International Herald Tribune

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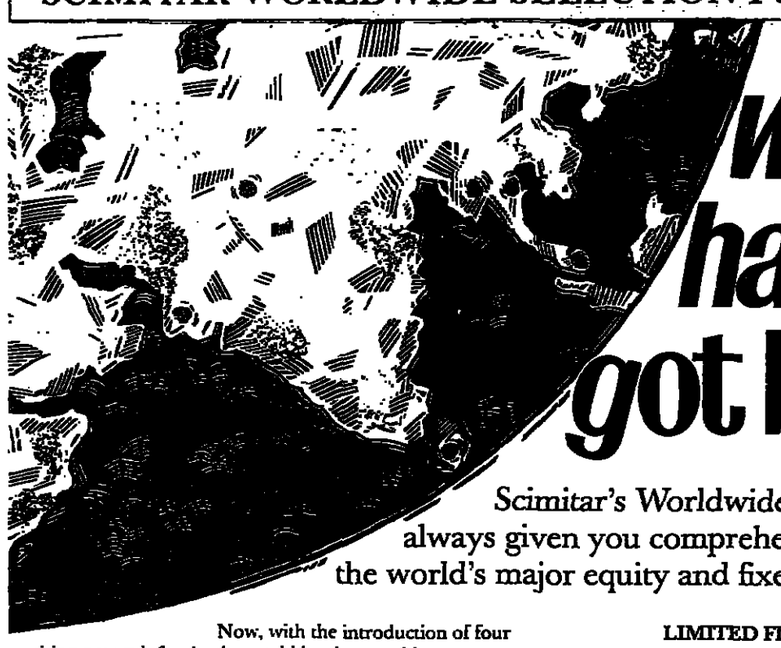

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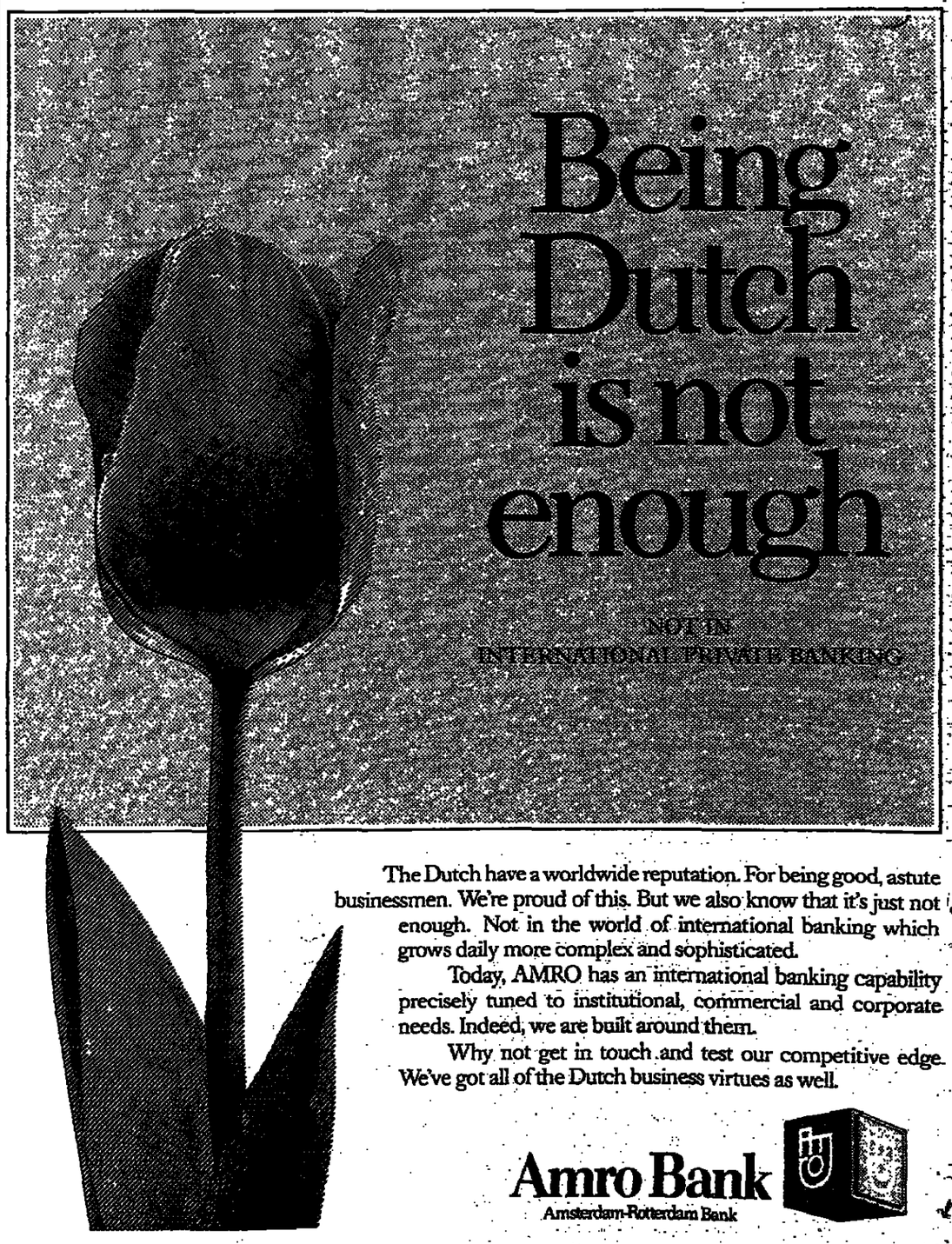

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OTC Consolidated trading for week ended Friday, May 11.

(Continued)

Sales in 100s	High	Low	Close	Net Ch'ge
[illegible]				

AMERICAN EXCHANGE OPTIONS

Figures as of close of trading Friday, May 11.

Option & price	Calls			Puts		
[illegible]						

CHICAGO EXCHANGE OPTIONS

Figures as of close of trading Friday, May 11.

Option & price	Calls			Puts		
[illegible]						

WORLD STOCKS IN REVIEW

Via Agence France-Presse

Amsterdam

Prices drifted slightly lower during the week in moderate trading, with the CBS all-share index finishing at 192.50, down half a point from a week earlier.

Even the successful issue of a 9 percent state loan did not enliven the market. Volume rose to 6.6 billion guilders from 3.9 billion guilders a week earlier, of which equities trading was unchanged at 2.6 billion guilders.

The Kempen & Co. brokerage said it expected lackluster trading to continue for some weeks.

Frankfurt

Despite initial euphoria caused by a wage agreement in the metal-working industry, the Frankfurt stock market moved lower last week. Some profit-taking was apparent.

While Japanese investors were active on Monday because of a bank holiday in Britain, they were unable to maintain a positive tone. Many West German investors preferred to remain on the sidelines in advance of regional elections on May 13.

The DAX spot trend indicator finished the week at 1,875.03, off 37.86 points from the previous Friday. The Commerzbank index lost 21.80, finishing at 2,311.7. Volume jumped to 40.21 billion Deutsche marks for the week, against 29.11 billion DM the previous week, which had one less trading day.

The auto sector suffered, with BMW losing 32 DM on the week to finish at 584, and Daimler-Benz falling 31 to 848. Volkswagen, which enjoyed a 33 percent jump in 1989 net profit, nevertheless lost 21.90 on the week to finish at 580.

Hong Kong

Share prices seesawed in uneasy trading during the week due to political developments in China. The Hang Seng Index gained a mere 13.49 points on the week, or 0.4 percent, to close Friday at 2,960.46.

Average daily turnover was worth 1.26 billion dollars.

Share prices slipped 24.96 points Friday on rumors, later denied by Beijing, that the top Chinese leader Deng Xiaoping had died.

London

Shares suffered a rollercoaster week under a barrage of company news and well-hyped domestic economic statistics but found comfort late in the week from encouraging U.S. economic pointers.

The Financial Times 100-share index rose 13.7 points on the week, to 2,175.9, with the rise due almost entirely to Wall Street's climb Friday after U.S. producer price and retail sales figures for April suggested reduced American inflationary pressure.

Relief on Friday that British inflation remained below the feared 10 percent mark, at 9.4 percent year-on-year in April, also helped calm a jumpy market. Government bonds, quiet and nervous ahead of the inflation figures, firmed strongly in line with U.S. issues on Friday.

Milan

Trading was quiet over the past week, despite some good business earnings reports. The MIB index finished the week at 1,022, up only 0.1 percent from the previous Friday, while the Comit index rose 0.14 percent, to 700.99.

Trading volume was up to 205 billion lire per session on average, against 136 billion the previous week. About 50 million shares changed hands a day, up from 32 million.

The market was not inspired by the record results and higher dividend announced by Fiat, which actually lost ground to end the week down 1.21 percent for the common stock. Pirelli was off 2.19 percent, Ferfin 3.4 percent, and Olivetti 0.86 percent.

Paris

The Paris Bourse was pulled down slightly by a weaker franc and a motion of no confidence against the Rocard government, although the motion was not approved.

During the four-day trading week, the CAC-40 index lost 12.71 points, to finish at 2,091.71, a 0.6 percent loss.

The Bourse had been attracting foreign investors previously, thanks to the French economy's good performance and the firm franc, but a sharp drop in the dollar boosted the Swiss franc, the yen, and above all the Deutsche mark.

An additional worry was the slight rise in inflation, with the April price increase being 0.4 percent, coming at a time when the president is urging employers to raise low wages. All this has created sudden concern about inflation possibilities in France.

One result is that some foreign investors have taken profits on some stocks that have enjoyed big runups, while others have at least stopped buying.

Singapore

Trading was mixed. Prices surged at the start of the week but turned easier Tuesday ahead of a national holiday Wednesday. The market remained listless, but prices ended the week slightly stronger on selective buying.

The Straits Times industrial index advanced 52.39 points over the previous Friday, to 1,532.27, while the Stock Exchange of Singapore's all-Singapore index rose 15.27 points, to 423.64.

Turnover improved to 314.2 million units valued at 926.6 million Singapore dollars, from the previous week's volume of 160.9 million shares worth 541.5 million dollars.

Tokyo

Prices rose sharply, due largely to a halt in the dollar's gain against the yen and to better interest rate news.

The Nikkei Stock Average posted a hefty rise of 1,338.50 points, or 4.4 percent, over the previous Friday's finish, ending at 31,512.14.

The Tokyo Stock Price Index of all common stocks on the market's major section chalked up a 101.16-point gain to 2,348.97.

On Friday, the dollar fell to a seven-week low of 154.15 yen and bond prices rose sharply, pushing down the yield of benchmark No. 119 issue maturing in 10 years to less than 7.10 per cent, lowest in more than two months.

Turnover swelled from the previous week's two-day session average of 363.8 million shares to 694.9 million. Value of stocks traded climbed from a daily average of 581.41 billion yen to 922.61 billion.

Zurich

Zurich stock prices gained five percent in what operators called an excellent week.

The Swiss Performance Index finished at 1,128.8, against 1,076 the previous Friday, while the Credit Suisse index rose to 627.4 from from 596.7 and the Swiss Bank Corp. gained to 647.5 from 619.0.

Operators said volume was heavy and numerous Japanese, American and British investors were getting into the Swiss market at a time when the franc has been rising.

Analysts said they were optimistic for a continuation of the good trend in the new trading week. Only two weeks ago, the Zurich bourse was at the low point for the year.

In food stocks, Nestlé registered shares rose by 200 francs to 8,375, while in the banking sector, Union Bank of Switzerland added 220 to 3,450. Industrials and insurance stocks were higher, as was Swiss Air.

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MONDAY SPORTS

Bulls Outrun 76ers, 111-101, To Take 3-1 Lead in Semifinal

United Press International

Michael Jordan scored 45 points and rookie Stacey King added 21 Sunday in Philadelphia to move the Chicago Bulls one game away from the Eastern Conference finals with a 111-101 victory over the Philadelphia 76ers.

The Bulls hold a 3-1 advantage in the best-of-seven series.

The Bulls took their first lead of the game at 91-90 on a turnaround jumper by Bill Cartwright with 8:13 to play in the fourth quarter.

Chicago outscored Philadelphia 22-6 in the first 7½ minutes of the final period, going ahead 99-92 on a basket by Jordan with 4:29 left.

Jordan scored seven of those points and Ed Nealy had six as the 76ers missed both from the floor and the free-throw line. During the drought, Charles Barkley hit only one of six free-throw tries.

The 76ers scored six straight points and trailed only 99-97 on a follow shot by Barkley with 3:42 to play, but Jordan scored on a drive for a 101-97 lead and added a three-point play for a 106-99 advantage with 1:53 left.

Johnny Dawkins sank two free throws to bring Philadelphia within 106-101, but Horace Grant hit a free throw and Jordan added two more for a 109-101 lead with 41 seconds to play.

Hersey Hawkins scored 26 points for Philadelphia.

Knicks 111, Pistons 103: The real Patrick Ewing resurfaced Saturday in New York and James Edwards played like James Edwards again, The New York Times reported.

In one of the most awesome statements of his five-year professional career, Ewing scored a career playoff high of 45 points, grabbed 13 rebounds, handed off for six assists and blocked three shots in leading New York over Detroit at Madison Square Garden.

Edwards made only four of 11 shots and scored 13 points for the Pistons. He had outplayed Ewing in the first two games, especially in

NBA PLAYOFFS

the second, where he not only piled up a playoff career-high of 32 points but got the Knick center into first-period foul trouble.

But it took more than just Ewing to beat the defending NBA champion Pistons and cut their lead in the Eastern Conference semifinal to 2-1.

With Charles Oakley pulling down 20 rebounds, the Knicks controlled the boards. And they played outstanding defense, especially down the stretch, when the Pistons sliced an early fourth-quarter lead to four points with 1:11 left to play.

The Knicks snapped the Pistons' 12-game playoff winning streak, which extended to last season, and became the first team to score more than 100 points in the Pistons' six playoff games this season.

Suns 117, Lakers 103: Tom Chambers scored 11 of his 34 points during a third-period rally Saturday and Jeff Hornacek had a career playoff-high 29 as Phoenix took a 2-1 lead in the Western Conference semifinal, The Associated Press reported from Phoenix.

The victory was the Suns' first at home over the Lakers in a playoff game since a 135-127 overtime decision on May 18, 1984. It also was Phoenix's largest margin of victory against the Lakers in the playoffs since the Suns won, 127-101, on April 13, 1980.

Kevin Johnson had 22 points for Phoenix, while James Worthy paced Los Angeles with 27 and Magic Johnson got 22.

Kevin Johnson's three-point play 1:13 into the third period put Phoenix ahead to stay at 56-53. Chambers had seven points in a 13-4 run that produced a 70-61 lead with 5:10 left.

Hornacek, who made 10 of 26 shots in surpassing his previous playoff best of 21 points, sank a three-pointer with 1:50 left in the quarter to make it 83-66.

Phoenix, ahead by 88-74 at the start of the fourth period, led by 92-76 on Chambers' jumper with 10:50 to play, after which the Lakers got no closer than 10 points.

Spurs 115, Trail Blazers 105: Terry Cummings took the main offensive load off David Robinson, scoring 35 points as fast-breaking San Antonio evened its Western Conference playoff series against San Antonio at 2-2, The Associated Press reported from San Antonio.

Robinson scored 21 points, but it was Cummings who provided the offensive firepower as the Spurs overcame an early nine-point deficit to rout the Blazers for the second consecutive game.

Clyde Drexler led Portland with 27 points, scoring 16 in the first period as his team got away to a 33-25 lead.

But Cummings and Rod Strickland led the Spurs on a 24-11 run and they ended the first half with a 62-51 edge. It was 86-71 after three quarters, then grew to 99-76.

Portland played without centers Wayne Cooper, who had recurring back spasms, and Kevin Duckworth, who broke his right hand in the final game of the first-round sweep of the Dallas Mavericks.

76ers 118, Bulls 112: Charles Barkley scored 34 points and Philadelphia withstood a furious fourth-quarter rally on Friday night.

The Bulls trailed by 27 points in the first half and by 20 after three quarters, then rallied behind Michael Jordan to close to three points with 1:10 remaining.

But Barkley made a free throw with 32 seconds left, the Bulls threw the ball out of bounds on their next possession and Barkley made two more free throws to give the 76ers a 116-110 lead.

Jordan, who scored 24 of his 49 points in the last period, sank a shot with seven seconds left to make it 116-112. But Hersey Hawkins, who finished with 27 points, made two free throws with five seconds left.

■ All-Rookie Team Named

San Antonio center Robinson, the unanimous choice as NBA rookie of the year, and point guard Tim Hardaway of Golden State were unanimously voted to the league's all-rookie team named Saturday, The Associated Press reported from New York.

Joining them on the first team were Vlade Divac of the Lakers, Sherman Douglas of Miami and Pooh Richardson of Minnesota. The team was selected by the NBA's 27 head coaches.

Ray Stubblebine/Reuters

A charged-up Patrick Ewing of the Knicks bolted over the Pistons' John Salley en route to 45 points.

Patrese Edges Berger In San Marino Prix

Compiled by Our Staff From Dispatches

IMOLA, Italy — Riccardo Patrese of Italy drove his Williams-Renault to victory Sunday in the San Marino Grand Prix, the first European world championship race this season, as he beat Gerhard Berger of Austria, in a McLaren-Honda, by 5.1 seconds.

It was Patrese's third Grand Prix victory, and his first since 1983. Alessandro Nannini of Italy finished third in a Benetton-Ford, just ahead of the reigning world champion, Alain Prost, in a Ferrari.

Nigel Mansell of Britain left the race with a blown engine in his Ferrari after 38 laps. Earlier, he had spun 360 degrees when he tried to pass Berger and take the lead, but the Austrian cut him off as he tried to squeeze past.

Ayrton Senna of Brazil had to pull out of the race on the fourth lap when the right rear tire of his McLaren was punctured. Senna remained atop of the world championship standings with 13 points after three races, one point ahead of both Prost and Berger.

Patrese completed the 61-lap, 191-mile (307.5-kilometer) race in 1 hour, 30 minutes, 55.478 seconds, at an average speed of 126 mph. Berger, who had survived a crash at the race last year, was overtaken by the Italian on the 51st lap.

"He was simply quicker in the final turns," Berger said. "I did not make any mistake."

Mansell said he was furious about the incident with Berger, which occurred on the 36th lap, and accused the Austrian of pushing him off the track. "It wasn't even subtle," he said. "Everyone who saw it will know what happened."

Berger said he did not see Mansell until it was too late. "I saw him in my mirror but it was too late and he went on the grass."

Mansell left the race three laps later when his engine failed.

On the first lap, Satoru Nakajima of Japan escaped injury when his Tyrrell crashed and broke in half.

For Patrese, the victory helped erase memories of 1983 when he made a mistake with only four laps to go and handed victory to Patrick Tambay of France.

Senna led for the first three laps until his right rear wheel rim fractured and caused a flat. He struggled to control the car without brakes until he swerved into a sand trap.

Thierry Boutsen of Belgium, in a Williams, then took the lead, but fell out of the race with engine problems after 17 laps. That left Berger to take the lead.

He fought off challenges from Patrese and Mansell until lap 51, when Patrese went past and ran on to victory. *(Reuters, AP, UPI)*

Oilers Rout Hawks To Gain Cup Final

By Robert Fachet
Washington Post Service

CHICAGO — The Edmonton Oilers came here with bags packed, ready to fly on to Boston for Tuesday's opener of the Stanley Cup final against the Bruins. The weary

NHL PLAYOFFS

Chicago Blackhawks did nothing to change those plans.

The Oilers built a 7-1 lead in two periods Saturday night and cruised to an 8-4 victory, wrapping up the Campbell Conference championship of the National Hockey League in six games, 4-2.

Afterward, the Oilers received the Campbell Bowl for the sixth time in eight years. They have won the Stanley Cup on their last four trips to the final, in 1984, 1985, 1887 and 1988.

Eight Oilers scored as the Blackhawks, playing their 100th game of the season and 20th playoff match in 39 nights, repeatedly gave the puck away in their end.

Chicago held a 2-1 lead after the first three games of the series, but lost three straight games for only the third time during the entire season.

"The eight-day rest we got after beating L.A. paid off," said the Oilers' coach, John Muckler. "We were a rested hockey club and Chicago was a tired hockey club. And if the truth be known, I think they were hurting, too."

The Blackhawks tried to jump on the Oilers at the start. Helped by an interference penalty to Mark Messier at the eight-second mark, they applied tremendous pressure.

Edmonton goalie Bill Ranford made three early saves, then teammate Craig Muni blocked a shot by Doug Wilson and sent a headman pass to Esa Tikkanen, who scored on a shorthanded breakaway at 2:01.

The Blackhawks battled back. With Messier penalized a second time, for elbowing Jocelyn Lemieux, they tied on Jeremy Roenick's deflection of a shot by Wayne Presley.

Craig Simpson scored a goal-mouth feed from Messier for the power-play goal that broke the tie. Then, before the period ended, Petr Klima connected off some sharp fourth-line passing by Kelly Buchberger and Craig MacTavish.

Four second-period goals broke open the game. First, Adam Graves deflected Charlie Huddy's shot into an empty net after goalie Greg Millen became tangled with Tikkanen, who had been cut down by Roenick.

A giveaway by the Chicago captain, Dirk Graham, who was playing hurt along with Keith Brown, led to a goal by Joe Murphy. Then Glenn Anderson and Messier scored 17 seconds apart to make it 7-1.

Messier collected three points and took over the playoff scoring lead with 26, two more than Cam Neely of Boston.

Seles Stuns Navratilova In Italian Open Final

The Associated Press

ROME — Monica Seles stunned Martina Navratilova, 6-1, 6-1, Sunday to win the Italian Open women's tennis championship in a battle of the generations.

It took the 16-year-old Yugoslav, seeded second, just 53 minutes to defeat the 33-year-old Navratilova, who was top-seeded. It was Seles's fourth straight tournament victory and her first match victory ever over the Czechoslovak-born American.

Afterward, Navratilova told the crowd at the awards ceremony: "I feel like I've been run over by a truck."

Seles, who did not lose a set in the tournament, at one point won 20 of 23 points, keeping Navratilova off balance with hard, two-fisted shots down the lines.

Navratilova tried to slow the pace with topspin lobs and drop shots. When that didn't work, she switched to her traditional serve-and-volley game but Seles passed at will.

Navratilova, rushing the net at every opportunity on Saturday night, had thwarted defending champion Gabriela Sabatini's baseline game, 7-6 (7-4), 7-5. Seles beat Helen Kelesi, 6-1, 6-2, in the other semifinal.

■ Aguilera Beats Becker in Straight Sets

Unseeded Juan Aguilera of Spain scored a shocking straight-set upset over top-seeded Boris Becker in the final of the $1 million German Open tennis tournament Sunday, The Associated Press reported from Hamburg.

Aguilera, the German Open champion in 1984, confused Becker with his touch and a succession of superb passing shots for a 6-1, 6-0, 7-6 (9-7) victory.

Becker, ranked third in the world, was outmaneuvered early on. From 1-1 in the first set, the three-time Wimbledon champion lost 10 straight games to trail, 6-1, 5-0, when rain held up play for an hour.

He had moved to within one match of his first clay court title by outlasting Henri Leconte of France, 6-3, 3-6, 6-3, on Saturday. Aguilera defeated Guy Forget of France, 7-5, 7-6 (8-6), in the other semifinal.

SIDELINES

Norman Declared Winner in U.S. Golf

DUBLIN, Ohio (UPI) — Greg Norman was declared the winner Sunday of the $1 million Memorial Tournament when PGA Tour officials decided the rain-drenched Muirfield Village Golf Club course was too wet to begin the final round.

Norman, whose $180,000 purse boosted him back atop this year's tour money list with $761,438, had taken the lead Saturday, shooting three-under par 69 for a 54-hole score of 216, one stroke better than Payne Stewart, who won last week's rain-shortened Byron Nelson Classic.

Fred Couples, the leader the first two rounds, had gone to the 18th hole Saturday tied with Norman, but double bogeyed. Couples finished in a four-way tie for third with Mark Brooks, Brad Faxon and 1987 champ Don Pooley at 218.

● **Ove Sellberg** of Sweden shot a final-round one-under-par 71 Sunday and won the Belgian Open by four strokes over Ian Woosnam of Wales.

Stephens Improving After Surgery

LOUISVILLE, Kentucky (UPI) — The condition of Hall of Fame thoroughbred trainer Woody Stephens, who underwent heart bypass surgery, was upgraded Sunday from critical to serious.

Stephens, 76, who had been undergoing treatment for emphysema for two weeks in Norton Hospital, required an emergency catheterization and 5½ hours of open heart surgery Friday.

He is the only trainer to win five straight Belmont Stakes. He won the Kentucky Derby twice, in 1974 with Cannonade and in 1984 with Swale.

For the Record

Rodney Monroe, who averaged 23.3 points a game to lead North Carolina State's basketball team in scoring last season, has decided to return for his senior year, forgoing the NBA draft. *(AP)*

Antonio Esparraguza of Venezuela successfully defended his WBA featherweight title for the seventh time Saturday in Seoul by scoring a unanimous decision over South Korean challenger Park Chan Mok. *(AP)*

Orlando Fernandez of Puerto Rico won the WBO super-bantamweight crown by stopping Valerio Nati of Italy in the 10th round Saturday night in Sassari, Sardinia. *(AP)*

Jeff Harding of Australia, the WBC light heavyweight champion, has postponed his scheduled June 2 title defense against Dennis Andries of England after having his left eyebrow cut in training. *(AP)*

Kim Bong Jun of South Korea retained his WBA minimum weight title Sunday when his fight with Silverio Barcenas of Panama was stopped in the fifth round. *(Reuters)*

UEFA Delays Decision On U.K. Until Cup Ends

Reuters

LONDON — A decision on allowing English soccer clubs back into European competition next season will not be made until after the World Cup, according to the president of the governing body, the Union of European Football Associations.

Lennart Johansson said Saturday he agreed with the British government's view that a decision could not be taken until the behavior of English fans in Italy was assessed. A decision was to be taken May 24.

"I don't think it would be very intelligent to go against the recommendation of the British Government," Johansson said after meeting with the British sports minister, Colin Moynihan.

But, Johansson said, there would be administrative problems because UEFA was to make the draw for next season's club competitions three days after the World Cup ended and the report on the fans' behavior is likely to take some time to be prepared.

He said the issue would still be discussed at the UEFA executive committee meeting in Vienna on May 24, and Moynihan promised that the British government would give UEFA its report as soon as possible.

UEFA will also consider a British suggestion that visiting fans be banned from European club matches, Johansson said.

The U.S. team tied Ajax of Amsterdam, 1-1, in World Cup warmup game Saturday in Washington when John Harkes scored in the 84th minute. *(AP)*

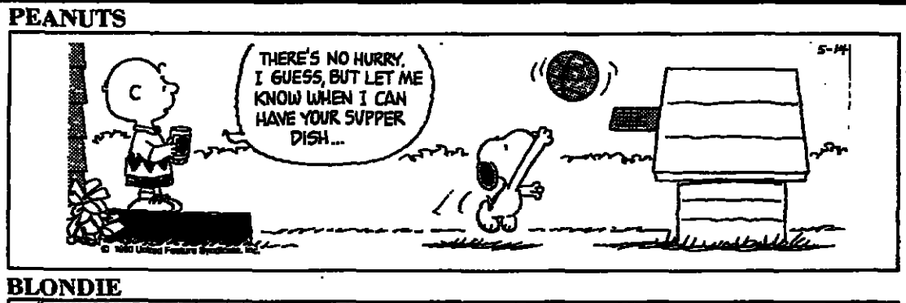
Manchester United, on Mark Hughes's second goal of the game, with eight minutes left in overtime, tied Crystal Palace, 3-3, in the Football Association Cup final Saturday and forced a replay Thursday. Ian Wright, coming back from a broken leg, scored twice for Crystal Palace. *(UPI)*

Marseille, on a 31st minute goal by Philippe Vercruysse, retained the French first division league title Saturday by beating visiting Caen, 1-0. *(AFP)*

Ronnie Rosenthal, a 26-year-old Israeli international striker who had been playing for the Belgian club Standard Liege, has signed a $1.68 contract with Liverpool. *(AFP)*

DENNIS THE MENACE

PEANUTS



ANDY CAPP

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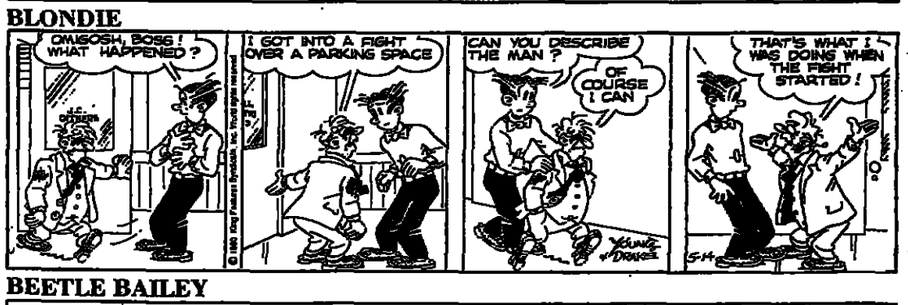
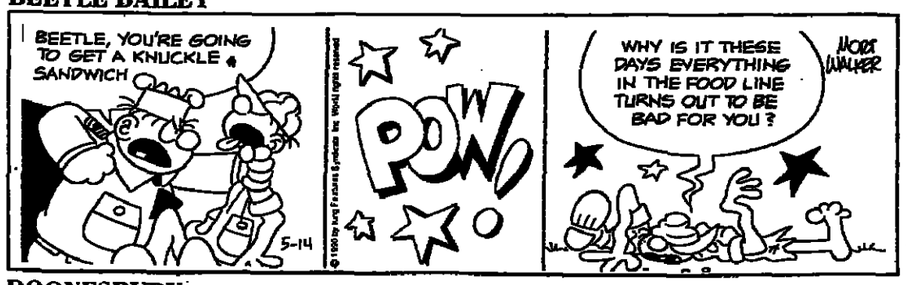


WIZARD of ID

BEETLE BAILEY



REX MORGAN

DOONESBURY

GARFIELD

JUMBLE THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

GOROF

RIBAN

CAMIAN

TIPEOA

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer here: TO "○○○○" ○○○○

(Answers tomorrow)

Saturday's Jumbles: AWARD SPURN JOCUND PAYOFF
Answer: what they said every time dad came up with one of his stale jokes—"POP — CORN!"

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هكذا من الأصل

MONDAY SPORTS

Winfield Balks at Angel Deal

By Michael Martinez
New York Times Service

SEATTLE — The feud between Dave Winfield and George Steinbrenner has been escalated to an even more bizarre level, with the New York Yankees announcing they had traded the outfielder to the California Angels and Winfield, citing the basic labor agreement between players and owners, refusing to accept the trade.

That left Winfield a player without a team and the Yankees a team with just 24 players on their roster.

"I'm just going home right now," Winfield said before returning to the New York area on Saturday. "I'll do what I think is best for Winfield. That could be anything."

He refused to accept the trade to the Angels, in return for pitcher Mike Witt, on the ground that he cannot be dealt away because he has 10 years in the major leagues and five years with the same team. Under the labor agreement between owners and players, the approval of so-called 10-and-5 players is required before any trade.

The Yankees say they have a right to trade Winfield because of a clause in his contract, signed before the 1981 season, that says he must provide them with a list of seven teams to which he might agree to be traded. Winfield has annually provided a list, although he has maintained that he has done it only to give the Yankees a sense of which clubs he might consider.

If Winfield continues to refuse to join the Angels, then the impartial arbitrator of baseball, George Nicalau, would be required to resolve the conflict.

"They say they've traded me, but I'm not going anywhere," Winfield said. "I'm not packing for California. But I can't put on a Yankee uniform, either. I'm in limbo."

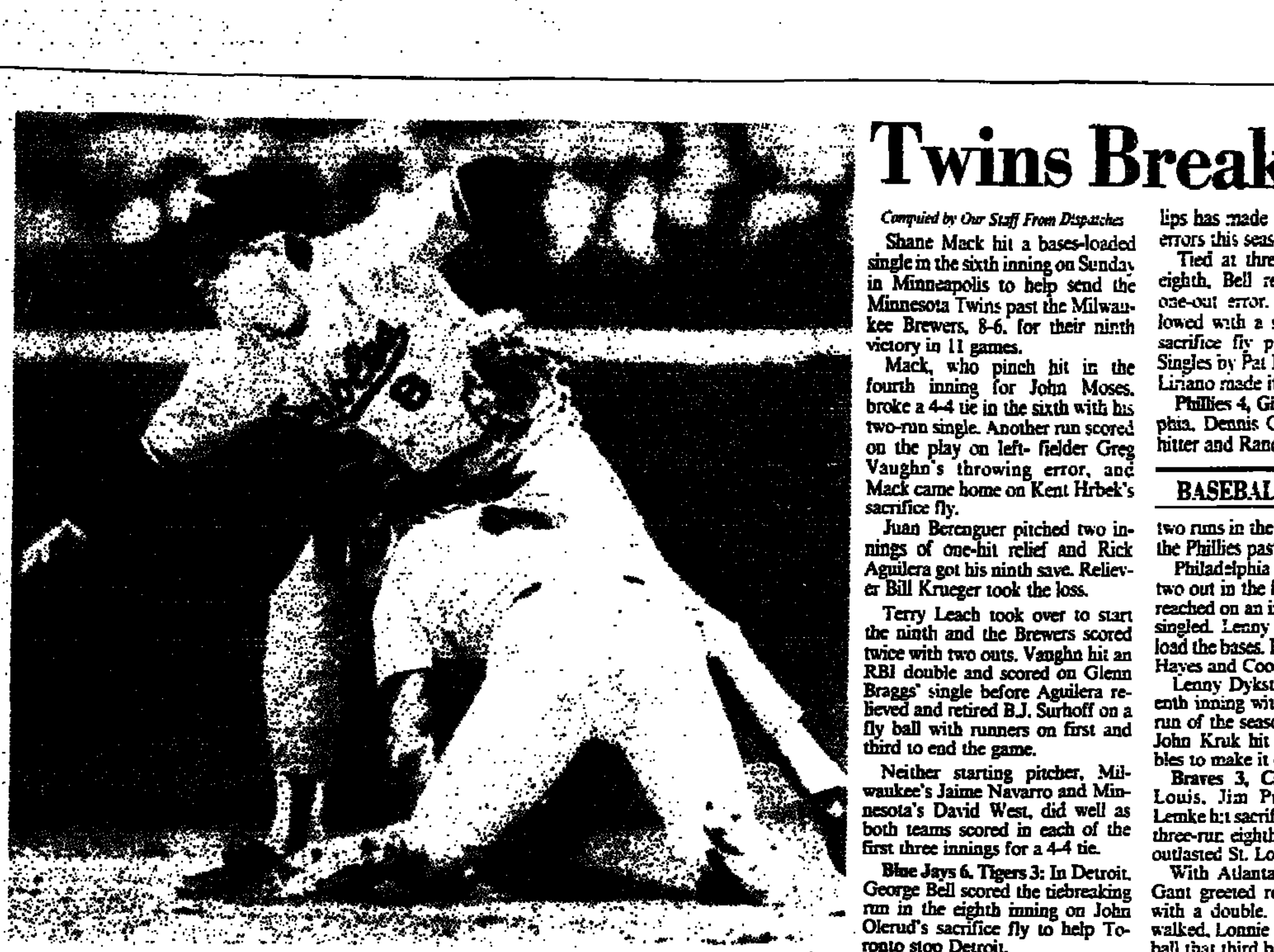
He added, "I'll say when, where and how I go."

The announcement of the trade was made in a small office next to the visiting team's clubhouse at the Kingdome in Seattle, where the Yankees began a three-game series with the Mariners on Friday night.

Winfield stood next to Pete Peterson, the Yankees' general manager, who made the announcement. Also present was the general manager of the Yankees, Bucky Dent.

It was clearly an awkward moment for Winfield, who was in the last season of a contract he signed with the team before the start of the 1981 season for about $20 million.

Asked if he would accept a financial agreement to agree to go, Winfield said, "Maybe, maybe not."



Court Mast/Reuters

Cal Ripken got the A's Carney Landsford out Saturday, but the night before Rickey Henderson had surprised everyone but himself by scoring from third on a fly ball hit to the Orioles' all-star shortstop.

Twins Break Past Brewers, 8-6

Compiled by Our Staff From Dispatches

Shane Mack hit a bases-loaded single in the sixth inning on Sunday in Minneapolis to help send the Minnesota Twins past the Milwaukee Brewers, 8-6, for their ninth victory in 11 games.

Mack, who pinch hit in the fourth inning for John Moses, broke a 4-4 tie in the sixth with his two-run single. Another run scored on the play on left- fielder Greg Vaughn's throwing error, and Mack came home on Kent Hrbek's sacrifice fly.

Juan Berenguer pitched two innings of one-hit relief and Rick Aguilera got his ninth save. Reliever Bill Krueger took the loss.

Terry Leach took over to start the ninth and the Brewers scored twice with two outs. Vaughn hit an RBI double and scored on Glenn Braggs' single before Aguilera relieved and retired B.J. Surhoff on a fly ball with runners on first and third to end the game.

Neither starting pitcher, Milwaukee's Jaime Navarro and Minnesota's David West, did well as both teams scored in each of the first three innings for a 4-4 tie.

Blue Jays 6, Tigers 3: In Detroit, George Bell scored the tiebreaking run in the eighth inning on John Olerud's sacrifice fly to help Toronto stop Detroit.

Third baseman Tony Phillips's wild throw set up Toronto's two unearned runs in the eighth. Phillips has made 12 of the Tigers' 29 errors this season.

Tied at three runs each in the eighth, Bell reached on Phillips' one-out error. Fred McGriff followed with a single and Olerud's sacrifice fly put Toronto ahead. Singles by Pat Borders and Nelson Liriano made it 5-3.

Phillies 4, Giants 1: In Philadelphia, Dennis Cook pitched a six-hitter and Randy Ready singled in two runs in the fifth inning to help the Phillies past San Francisco.

BASEBALL ROUNDUP

Philadelphia took a 2-0 lead with two out in the fifth. Charlie Hayes reached on an infield hit and Cook singled. Lenny Dykstra walked to load the bases. Ready singled home Hayes and Cook.

Lenny Dykstra opened the seventh inning with his second home run of the season. Von Hayes and John Kruk hit back-to-back doubles to make it 4-0.

Braves 3, Cardinals 1: In St. Louis, Jim Presley and Mark Lemke hit sacrifice flies as part of a three-run eighth inning as Atlanta outlasted St. Louis.

With Atlanta trailing 1-0, Ron Gant greeted reliever Scott Terry with a double. After Jeff Blauser walked, Lonnie Smith hit a ground ball that third baseman Terry Pendelton bobbled for an error to load the bases. Presley then hit a sacrifice fly that scored Gant and moved the other runners to second and third.

After Dale Murphy was intentionally walked to reload the bases, Jody Davis hit a potential double-play grounder to shortstop Ozzie Smith, but he booted it as Blauser scored the go-ahead run. Lemke followed with a sacrifice fly to score Smith. *(AP, UPI)*

In Saturday's games, The Associated Press reported:

Mets 7, Dodgers 0: Frank Viola pitched a four-hitter in New York to become the season's first seven-game winner.

Viola struck out seven and walked one for his 13th major league shutout and second this season. He has an 0.87 earned-run average, and has been scored on in only two of the seven games.

On Friday, teammate Dwight Gooden struck out 15 and drove in four runs during a 9-4 victory over Los Angeles. Although pitching just seven innings, Gooden struck out more batters than he had in any game in five years.

Cubs 4, Reds 2: In Cincinnati, Tom Browning lost his no-hitter on Shawon Dunston's seventh-inning single, then lost the game on Doug Dascenzo's three-run double.

Browning did not give up a hit until Dunston led off the seventh with a single to right.

Giants 6, Phillies 2: Matt Williams and Will Clark each hit three-run homers in Philadelphia.

Williams hit his sixth of the year in the third inning, putting San Francisco ahead, 3-1. Clark added insurance in the ninth with his fourth of the season.

Pirates 3, Astros 1: Neal Heaton became his team's first pitcher in 61 years to win his first six starts as Pittsburgh, playing at home, won for the seventh time in eight games. The Pirates scored twice in the fourth, when Barry Bonds doubled in one run, then scored on a single by Mike LaValliere.

Cardinals 4, Braves 3: In St. Louis, Todd Zeile drew a bases-loaded walk off Joe Boever in the 10th to force in the winning run.

Padres 5, Expos 2: Bruce Hurst pitched a six-hitter in San Diego for his second complete game of the season. He had a string of 12 shutout innings until Andres Galarraga hit a two-out, bases-empty homer in the seventh.

Mike Pagliarulo got two RBI singles for the Padres while Roberto Alomar singled in a run in the first and doubled to start a three-run rally in the sixth.

Orioles 3, Athletics 2: Cal Ripken led off the ninth in Oakland with his second homer of the game, ending Baltimore's eight-game losing streak against the A's.

Rangers 2, Indians 1: In Arlington, Texas, Bobby Witt pitched a six-hitter for his first victory at home since July 23. He was helped by four double plays.

Texas scored in the first on Pete Incaviglia's double, then made it 2-0 in the third when Julio Franco and Ruben Sierra hit two-out doubles.

White Sox 6, Royals 3: Melido Perez held Kansas City to three singles for 8⅔ innings in Chicago, but lost his shutout when Kansas City scored three unearned runs without a hit. Carlos Martinez tripled home two runs during a five-run third and Ivan Calderon had four singles.

Twins 5, Brewers 2: In Minneapolis, Gene Larkin followed Milwaukee first baseman Greg Brock's three-base error with a tie-breaking sacrifice fly in the sixth, then doubled home the first of two insurance runs in the eighth.

Red Sox 7, Angels 1: Carlos Quintana and Luis Rivera got five hits and three RBI for Boston in Anaheim, California. That gave the Angels the worst record in the franchise's 30-year history, 11-20.

Yankees 4, Mariners 1: Tim Leary pitched a six-hitter, Jesse Barfield doubled in one run and Roberto Kelly tripled in two in Seattle. Leary, who struck out eight and walked two, lost his shutout with two out in the ninth, when Ken Griffey Jr. hit his sixth home run.

■ Randolph-Javier Trade

The Los Angeles Dodgers traded second baseman Willie Randolph to the Oakland Athletics for outfielder Stan Javier on Saturday night, The Associated Press reported.

One Theory: Steinbrenner's Feeling the Heat of Spira Probe

VANTAGE POINT/Dave Anderson

New York Times Service

NEW YORK — No matter what the situation, never underestimate George Steinbrenner's motives to manipulate it.

In the Yankees' willingness to risk the trade of Dave Winfield to the California Angels, apparently in defiance of baseball labor law, the most prevalent theory is that Steinbrenner, the Yankees' principal owner, has begun to feel the heat from an investigation of his relationship with Howard Spira.

At least one baseball executive questioned by John Dowd, the special investigator for the commissioner of major league baseball, Fay Vincent, has asserted that Steinbrenner paid $40,000 to Spira, a self-described gambler recently indicted on extortion charges, so that Spira would say whatever Steinbrenner wanted him to say about Winfield.

"Knowing George," the baseball executive said, "he now wants to rid himself of anybody who had anything to do with the Spira situation. Especially Winfield."

Ever since Steinbrenner was outsmarted by Winfield's agent, Al Frohman, in negotiating a compounded cost-of-living increase in the outfielder's 10-year, $18 million contract before the 1981 season, the owner has continually demeaned the outfielder.

Steinbrenner used Spira's information in his legal wrangling with Winfield over the outfielder's youth foundation. In recent years, Steinbrenner prodded his various general managers to trade Winfield despite the outfielder's right to approve any deal.

Beginning in 1987, the Yankees discussed trading him to the Detroit Tigers for Kirk Gibson, to the Minnesota Twins for a package of minor league prospects, to the Toronto Blue Jays for George Bell and to the Houston Astros for Kevin Bass.

None of those deals was ever consummated. The main reason was that Winfield always reminded the Yankee front office that as a 10-and-5 player, he had the contractual right to approve any trade. That right superseded the contractual clause, beginning in 1986, that he name seven teams to which he would "consider" a trade.

Baseball's impartial arbitrator, George Nicolau, is expected to rule this week on Winfield's refusal to be traded for Mike Witt, 29, a relief pitcher in the Angels' doghouse.

The wording of the collective-bargaining agreement and of Winfield's contract appear to support the outfielder's argument. The 10-and-5 rule takes precedence over any trade clause. And his clause to consider a trade doesn't mean he consents to it.

Early this year, Winfield provided the Yankees with his annual list of seven teams to which he would consider a trade: the Mets, Cubs and Dodgers in the National League; the Athletics, Angels, Blue Jays and Royals in the American League.

"My refusal to report to the Angels has nothing to do with them," Winfield said. "They're nice people."

And if he is declared the winner by Nicolau in this dispute with Steinbrenner, the 38-year-old outfielder would be wise to accept the trade, particularly if the Angels were to offer him a two-year contract at a substantial salary. Winfield also has a home not far from Anaheim, California.

He would have the satisfaction of firing the last bullet in his duel with Steinbrenner. But if he were to return to the Yankees, Winfield would risk being benched, as he was recently.

If he were only a part-time performer this season, Winfield's upcoming market value as a 39-year-old free agent would be minimal. After having missed all last season following spinal surgery, he has driven in only six runs with a .213 average and two homers.

But if his back is as healthy as he contends and befitting his stature as a Hall of Fame candidate, he should have been allowed to swing his way out of a slump.

If Winfield agrees to join the Angels, Steinbrenner would probably think of himself as the winner. But the Yankees would be the loser. Again.

Over the last 19 months, the Yankees have traded three of baseball's most feared hitters (Jack Clark, Rickey Henderson and now Winfield) without filling their most compelling need: a starting pitcher who would be the bell cow of their rotation. Instead, they have acquired mostly scrawny cattle.

In another of Steinbrenner's contradictions, when the Winfield-for-Witt deal was whispered during spring training, the owner said Witt didn't have the "personality" to play well in New York, that Witt would never be a Yankee as long as he owned the club.

But now he has acquired Witt in exchange for a slugger who proved over a decade that he had the personality to perform.

It's not as if the Yankee front office wasn't aware of no-trade contracts. Before the Yankees traded Henderson to the Oakland Athletics midway through last season, they had him sign a form approving the trade.

In announcing the Winfield trade, the Yankees' new general manager, Harding (Pete) Peterson, insisted that "Mr. Steinbrenner had nothing to do with it." To save time, the Yankees should train a parrot to say that whenever a trade is announced.

But in this trade, maybe Peterson was correct. Considering the heat on Steinbrenner, maybe Spira and Vincent's investigation really traded Winfield. Or tried to trade him.

AP

Winfield: 'Not going anywhere.'

SCOREBOARD

BASEBALL

Major League Standings

Through Saturday's Games

AMERICAN LEAGUE

East Division

	W	L	Pct.	GB
Milwaukee	17	10	.630	—
Boston	17	12	.586	1
Toronto	18	13	.581	1
Cleveland	15	15	.500	3½
Baltimore	13	17	.433	5½
New York	12	16	.429	5½
Detroit	11	20	.355	8

West Division

	W	L	Pct.	GB
Oakland	22	7	.759	—
Chicago	16	10	.615	4½
Minnesota	15	14	.517	7
Texas	15	15	.500	7½
Seattle	14	18	.438	9½
California	11	20	.355	12
Kansas City	10	19	.345	12

NATIONAL LEAGUE

East Division

	W	L	Pct.	GB
Pittsburgh	21	9	.700	—
Philadelphia	16	13	.552	4½
Montreal	17	14	.548	4½
New York	16	14	.533	5
Chicago	14	15	.483	6½
St. Louis	13	17	.433	8

West Division

	W	L	Pct.	GB
Cincinnati	20	7	.741	—
San Diego	15	15	.500	6½
Los Angeles	14	17	.452	8
Houston	12	18	.400	9½
San Francisco	11	19	.367	10½
Atlanta	8	19	.296	12

Saturday's Line Scores

AMERICAN LEAGUE

Baltimore 010 001 001—3 8 1
Oakland 000 020 000—2 9 0

D.Johnson, Williamson (7), Olson (9) and Melvin; C.Young, Nelson (7) and Steinbach. W—Williamson, 2-1. L—Nelson, 1-2. Sv—Olson (7). HRs—Baltimore, C.Ripken 2 (6). Oakland, Canseco (9).

Cleveland 200 002 100—5 8 1
Texas 000 220 000—4 10 0

(completion of suspended game)

Show, Wickander (5), Olin (6), Jones (8) and Alomar; Ryan, Jeffcoat (6), Russell (6), Mielke (8) and Petralli, Kreuter (9). W—Olin, 1-2. L—Russell, 1-2. Sv— Jones (11).

Cleveland 000 010 000—1 7 0
Texas 101 000 00x—2 8 1

Black, Valdez (7) and Alomar; Witt, Russell (9) and Kreuter. W—Witt, 1-4. L—Black, 3-1. Sv—Russell (5).

Kansas City 000 000 003—3 3 2
Chicago 005 000 01x—6 15 2

Dotson, Appier (3), McWilliams (8), Aquino (8) and Boone; Perez, Radinsky (9) and Fisk. W—Perez, 3-2. L—Dotson, 0-3. Sv—Radinsky (2).

Milwaukee 000 200 000—2 13 3
Minnesota 101 001 02x—5 10 0

Knudson, Fossas (8), Crim (8) and Surhoff; Tapani, Berenguer (7), Aguilera (8) and Harper. W—Tapani, 4-2. L—Knudson, 2-1. Sv—Aguilera (8). HR—Minnesota, Puckett (4).

Boston 000 020 122—7 13 0
California 000 000 100—1 4 2

Harris, Murphy (8), Lamp (9) and Pena; Blyleven, Bailes (7), Clear (8), Harvey (9) and Orton. W—Harris, 4-1. L—Blyleven, 1-3.

New York 010 000 300—4 10 0
Seattle 000 000 001—1 6 2

Leary and Geren; Hanson, Clark (7), Jackson (8), Comstock (9) and Bradley. W—Leary, 2-3. L—Hanson, 3-2. HR— Seattle, Griffey (6).

Toronto at Detroit rained out

NATIONAL LEAGUE

Los Angeles 000 000 000—0 4 1
New York 012 300 01x—7 9 0

Wetteland, Hartley (4), Crews (5), Maddux (6) and Dempsey; Viola and Lyons. W—Viola, 7-0. L—Wetteland, 1-3.

Chicago 000 000 400—4 5 0
Cincinnati 000 000 002—2 6 1

Bielecki, Williams (9) and Girardi; Browning, Layana (7), Charlton (9) and Reed. W—Bielecki, 2-3. L—Browning, 3-3. Sv—Williams (7). HR—Cincinnati, O'Neill (3).

Houston 000 000 100—1 4 0
Pittsburgh 000 200 10x—3 4 2

Portugal, Schatzeder (7) and Biggio; Heaton, Ruskin (8), Power (9) and LaValliere. W—Heaton, 6-0. L—Portugal, 1-4. Sv—Power (3).

San Francisco 003 000 003—6 9 0
Philadelphia 101 000 000—2 7 1

Garrelts, Hammaker (6), Brantley (8) and Carter; Ruffin, Akerfelds (6), Parrett (7), Carman (9) and Lake. W—Garrelts, 1-3. L—Ruffin, 2-3. Sv—Brantley (3). HRs—San Francisco, Williams (6), Clark (4).

Atlanta 110 000 010 0—3 6 3
St.Louis 100 020 000 1—4 6 1

(10 innings)

Lilliquist, Kerfeld (7), Boever (9) and Olson, Whitt (9); DeLeon, Le.Smith (9) and Zeile. W—Le.Smith, 1-0. L—Boever, 0-2. HRs—Atlanta, Gant (2). St. Louis, McGee (1), Pendleton (1).

Montreal 000 000 101—2 6 1
San Diego 100 003 01x—5 11 0

Smith, Schmidt (6), Sampen (8), Frey (8) and Santovenia; Hurst and Santiago. W—Hurst, 2-4. L—Smith, 2-3. HRs—Montreal, Galarraga (3), DeShields (2).

Friday's Line Scores

AMERICAN LEAGUE

Toronto 020 011 000—4 6 0
Detroit 000 001 010—2 4 0

Key, Ward (7), Henke (8) and Borders; DuBois, Lugo (4), Gibson (7) and Heath, Nokes (9). W—Key, 4-1. L—DuBois, 0-2. Sv—Henke (3). HRs—Toronto, Lee (2), Felix (4). Detroit, Phillips (2).

Milwaukee 122 110 000—6 11 1
Minnesota 000 011 100—3 9 0

Wegman, Krueger (6), Crim (7), Plesac (9) and Surhoff; Anderson, Drummond (4), Wayne (7), Leach (9) and Harper. W—Wegman, 1-0. L—Anderson, 1-4. Sv— Plesac (7). HR—Milwaukee, Molitor (3).

Kansas City 011 000 110—4 11 1
Chicago 000 010 05x—6 11 1

Saberhagen, Farr (7), M.Davis (8) and Boone; King, Radinski (7), Jones (7), Thigpen (9) and Karkovice. HRs—Kansas City, B.Jackson (3). Chicago, Ventura (2), Kittle (5).

Cleveland 200 002—4 6 1
Texas 000 22x—4 6 0

(Suspended after 5½ innings, rain)

Show, Wickander (5) and Alomar; Ryan, Jeffcoat (6), Russell (6) and Petralli.

Baltimore 000 000 000—0 5 2
Oakland 011 000 12x—5 11 0

Milacki, Holton (7) and Tettleton; Welch and Hassey. W—Welch, 4-2. L—Milacki, 1-1. HRs—Oakland, McGwire 2 (9).

Boston 010 001 001—3 12 0
California 010 001 000—2 8 0

Boddicker, Reardon (9) and Pena; Abbott, Eichhorn (9) and Parrish. W—Boddicker, 4-3. L—Eichhorn, 0-3. Sv—Reardon (2). HRs—Boston, Burks (1). California, White (3).

New York 000 500 201—8 10 0
Seattle 023 000 000—5 12 0

Hawkins, Guterman (6), Righetti (9) and Geren; Johnson, Swift (4), Harris (6), Comstock (8), Knackert (9) and Valle. W—Guterman, 2-1. L—Harris, 0-1. Sv—Righetti (7).

NATIONAL LEAGUE

Chicago 500 000 000—5 12 0
Cincinnati 010 300 03x—7 12 2

Maddux, Williams (8) and Girardi; Scudder, Birtsas (1), Mahler (6), Charlton (8), Dibble (9) and Oliver, Reed (7). W—Charlton, 2-0. L—Williams, 0-3. Sv— Dibble (5). HRs—Chicago, Sandberg (5), Dawson (8), Dunston (4).

Houston 000 000 003—3 7 1
Pittsburgh 110 020 00x—4 9 1

Deshaies, Andersen (6), Agosto (7) and Biggio; Drabek, Patterson (9), Landrum (9) and Slaught. W—Drabek, 6-1. L—Deshaies, 1-1. Sv—Landrum (5).

Los Angeles 003 000 010—4 12 1
New York 025 100 10x—9 7 1

Morgan, Maddux (4), Hartley (6), Aase (8) and Scioscia, Dempsey (8); Gooden, Musselman (8), Pena (9) and Sasser. W—Gooden, 3-3. L—Morgan, 4-2.

San Francisco 000 023 001—6 4 0
Philadelphia 124 030 00x—10 14 0

Burkett, McCament (3), Vosberg (5), Thurmond (7), Bedrosian (8) and Kennedy, Bailey (5); Howell, Carman (6), McDowell (9) and Daulton. W—Howell, 3-3. L—Burkett, 2-1. HR—San Francisco, Bailey (1).

Montreal 200 100 000—3 6 0
San Diego 300 000 02x—5 10 1

Gardner, Hall (7) and Santovenia; Whitson, Harris (8), Lefferts (8) and Santiago. W—Lefferts, 2-1. L—Hall, 2-4. HRs—Montreal, Owen (2). San Diego, Templeton (2).

Japan Baseball

Central League

	W	L	T	Pct.	GB
Yomiuri	19	10	0	.655	—
Taiyo	15	10	2	.593	2
Hanshin	14	15	0	.483	5
Chunichi	11	15	1	.426	6½
Yakult	11	15	0	.423	6½
Hiroshima	11	16	1	.411	7

Pacific League

	W	L	T	Pct.	GB
Seibu	19	5	0	.792	—
Orix	14	12	1	.537	6
Nippon Ham	13	12	0	.520	6½
Lotte	11	11	0	.500	7
Kintetsu	9	15	0	.375	10
Daiei	8	18	1	.315	12

SATURDAY'S RESULTS

Yomiuri 3, Hiroshima 1
Taiyo 1, Chunichi 0
Yakult 3, Hanshin 0
Seibu 9, Daiei 7
Orix 8, Kintetsu 6, 11 innings
Nippon Ham 6, Lotte 1

SUNDAY'S RESULTS

Yomiuri 11, Hiroshima 3
Yakult 12, Hanshin 5
Chunichi 7, Taiyo 2
Seibu 9, Daiei 2
Kintetsu 14, Orix 1
Nippon Ham 1, Lotte 0

AUTO RACING

San Marino Grand Prix

Top finishers in Sunday's 61-lap, 307.5-kilometer (171-mile) race, the third round of the World F-1 Championship:

1. Riccardo Patrese, Italy, Williams-Renault, 1 hour, 30 minutes, 55.478 seconds; 2. Gerhard Berger, Austria, McLaren-Honda, 5.11 seconds behind. 3. Alessandro Nannini, Italy, Benetton-Ford, 6.24 secs.; 4. Alain Prost, France, Ferrari, 6.84; 5. Nelson Piquet, Brazil, Benetton-Ford, 53.11; 6. Jean Alesi, France, Tyrrell-Ford, one lap behind; 7. Derek Warwick, Britain, Lotus-Lamborghini, one lap; 8. Martin Donnelly, Britain, Lotus-Lamborghini, one lap; 9. Philippe Alliot, France, Ligier-Ford, one lap; 10. Nicola Larini, Italy, Ligier-Ford, two laps behind.

Grand Prix Standings (Through three races):

1. Ayrton Senna, Brazil, 13 points; 2. Berger and Prost, 12 each; 4. Patrese, 9; 5. Alesi, 7; 6. Thierry Boutsen, Belgium and Piquet, 6 each; 8. Nannini, 4; 9. Nigel Mansell, Britain, 3; 10. Stefano Modena, Italy, 2; 11. Satoru Nakajima, Japan, one.

SOCCER

ENGLISH F.A. CUP FINAL

Crystal Palace 3, Manchester United 3
Game to be replayed Thursday

WEST GERMAN FIRST DIVISION

Fortuna Duesseldorf 7, FC St. Pauli 0
Eintracht Frankfurt 3, FC Cologne 1
VfL Bochum 2, Karlsruhe SC 0
VfB Stuttgart 2, FC Homburg 2
Bayer Uerdingen 0, Bor. Moenchengladbach 0
FC Kaiserslautern 0, FC Nuremberg 2
Bayern Munich 3, Borussia Dortmund 0
Bayer Leverkusen 1, Werder Bremen 3
Hamburger SV 1, Waldhof Mannheim 0

Standings: Bayern Munich 49, Cologne 43, Eintracht Frankfurt 41, Borussia Dortmund 41, Bayer Leverkusen 39, VfB Stuttgart 36, Werder Bremen 34, FC Nuremberg 33, Fortuna Duesseldorf 32, Karlsruhe 32, Hamburg 31, Kaiserslautern 31, St. Pauli 31, Bayer Uerdingen 30, Bor. Moenchengladbach 30, Bochum 29, Waldhof Mannheim 26, FC Homburg 24.

FRENCH FIRST DIVISION

Lille 2, St Etienne 2
Lyon 1, Auxerre 1
Marseille 1, Caen 0
Metz 2, Cannes 2
Montpellier 0, Monaco 0
Nantes 3, Mulhouse 2
Nice 1, Bordeaux 0
Racing Paris 1, Brest 1
Sochaux 1, Toulon 0
Toulouse 4, Paris St Germain 1

Standings: Marseille 53, Bordeaux 49, Monaco 44, Sochaux 43, Auxerre 40, Paris St Germain 40, Nantes 39, Toulouse 38, Lyon 37, Brest 36, Cannes 35, Metz 34, St Etienne 34, Montpellier 33, Lille 33, Toulon 33, Caen 32, Nice 31, Racing Paris 30, Mulhouse 26.

Marseille won championship

INTERNATIONAL FRIENDLY

United States 1, Ajax of Amsterdam 1

GOLF

Top finishers in the par 288 Belgian Open, which ended Sunday:

Ove Sellberg, Sweden	68-66-67-71—272
Ian Woosnam, Wales	66-70-70-70—276
Eduardo Romero, Argentina	69-72-69-68—278
Grant Turner, England	68-74-68-70—280
Jose Maria Olazabal, Spain	69-71-71-69—280
Ronan Rafferty, N. Ireland	70-70-74-68—282
Colin Montgomerie, Scotland	69-73-72-68—282
Mike Miller, Scotland	68-72-74-68—282
James Spence, England	66-76-66-71—283
Paul Carman, England	69-70-71-74—284

BASKETBALL

NBA Playoffs

(Best of seven games)

SATURDAY'S RESULTS

EASTERN CONFERENCE SEMIFINALS

Detroit 27 28 22 26—103
New York 34 28 20 29—111

DETROIT: Edwards 4-11 5-10 13, Rodman 3-6 0-0 6, Laimbeer 7-10 1-1 18, Dumars 7-18 5-7 19, Thomas 8-21 3-5 20, Johnson 2-6 0-0 4, Salley 3-6 5-7 11, Greenwood 0-0 0-0 0, Aguirre 5-11 2-5 12, Henderson 0-0 0-0 0. Totals 39-89 21-35 103.

NEW YORK: Oakley 1-3 4-4 6, Vandeweghe 5-9 4-4 16, Ewing 14-24 17-18 45, Cheeks 7-14 0-0 14, G.Wilkins 3-8 4-4 10, Newman 1-2 5-6 7, Walker 1-2 0-0 2, Tucker 3-6 0-0 7, Jackson 2-2 0-0 4. Totals 37-70 34-36 111.

Three-point goals—Detroit 4-11 (Laimbeer 3-5, Thomas 1-4, Aguirre 0-2), New York 3-9 (Vandeweghe 2-4, Tucker 1-3, Cheeks 0-1, G.Wilkins 0-1). Fouled out—None. Rebounds—Detroit 48 (Rodman 8), New York 51 (Oakley 20). Assists—Detroit 23 (Thomas 6), New York 28 (Cheeks 12). Total fouls—Detroit 24, New York 23. Technicals—Oakley, Detroit coach Daly, Detroit assistant coach Suhr, Laimbeer, Ewing, Newman, New York illegal defense 2.

Detroit leads series, 2-1

WESTERN CONFERENCE SEMIFINALS

L.A. Lakers 29 20 25 29—103
Phoenix 26 25 37 29—117

L.A. LAKERS: Green 5-11 3-3 13, Worthy 10-18 7-9 27, Thompson 1-2 2-2 4, E.Johnson 7-18 8-8 22, Scott 4-11 0-0 9, Cooper 3-6 0-0 6, Divac 3-4 0-0 6, Woolridge 5-10 2-5 12, Drew 1-2 1-2 4. Totals 39-82 23-29 103.

PHOENIX: Chambers 14-23 5-7 34, Rambis 1-2 0-0 2, West 6-7 2-3 14, Hornacek 10-16 8-8 29, K.Johnson 8-19 6-7 22, Majerle 2-2 2-2 6, Ed. Johnson 3-5 2-3 8, Battle 1-1 0-0 2, McGee 0-0 0-0 0, Grant 0-0 0-0 0. Totals 45-75 25-30 117.

Three-point goals—Los Angeles 2-9 (Drew 1-2, Scott 1-3, Worthy 0-1, E.Johnson 0-3). Phoenix 2-10 (Chambers 1-4, Hornacek 1-2, K.Johnson 0-2, Ed.Johnson 0-2). Fouled out—West. Rebounds—Los Angeles 44 (Green 10), Phoenix 40 (Chambers, K.Johnson 7). Assists—Los Angeles 30 (E.Johnson 16), Phoenix 22 (K. Johnson 8). Total fouls—Los Angeles 24, Phoenix 24. Technicals—Worthy. Los Angeles illegal defense.

Phoenix leads series, 2-1

Portland 33 18 20 34—105
San Antonio 25 37 24 29—115

PORTLAND: Kersey 6-18 7-15 23, B.Williams 5-11 3-4 13, C.Robinson 2-10 3-3 7, Drexler 11-19 4-6 27, Porter 7-14 1-2 18, Bryant 3-4 0-0 6, Young 0-3 2-2 2, Petrovic 4-7 1-2 9, Irvin 0-0 0-0 0. Totals 32-86 25-34 105.

SAN ANTONIO: Elliott 2-5 0-0 4, Cummings 16-26 3-6 35, D.Robinson 7-13 7-8 21, Strickland 7-13 3-4 17, Anderson 5-14 3-4 14, Brickowski 3-9 0-0 6, Wingate 6-9 0-0 12, Jones 1-1 0-0 2, Moore 1-3 0-0 2, R.Williams 1-2 0-0 2. Totals 49-95 16-22 115.

Three-point goals—Portland 4-9 (Porter 3-6, Drexler 1-2, Petrovic 0-1), San Antonio 1-3 (Anderson 1-2, Cummings 0-1). Fouled out—None. Rebounds—Portland 58 (B.Williams 10), San Antonio 53 (Cummings 11). Assists—Portland 18 (Drexler 7), San Antonio 36 (Strickland 14). Total fouls—Portland 25, San Antonio 31. Technicals—Kersey, Drexler, Cummings.

San Antonio leads series, 2-1

FRIDAY'S RESULTS

EASTERN CONFERENCE SEMIFINALS

Chicago 14 27 26 45—112
Philadelphia 33 30 24 31—118

CHICAGO: Pippen 5-12 10-12 20, Grant 4-8 0-0 8, Cartwright 0-2 0-0 0, Paxson 2-3 0-0 4, Jordan 19-34 7-9 49, Nealy 3-7 0-0 6, Armstrong 2-5 7-8 11, King 4-7 3-4 11, Hodges 1-2 0-0 3, Perdue 0-0 0-0 0. Totals 40-80 27-33 112.

PHILADELPHIA: Barkley 10-18 14-21 34, Mahorn 4-9 2-2 10, Gminski 5-11 0-0 10, Dawkins 5-8 6-8 16, Hawkins 9-14 7-7 27, Anderson 7-12 3-4 17, Thornton 0-3 0-2 0, Brooks 1-3 2-2 4. Totals 41-78 34-46 118.

Three-point goals—Chicago 5-16 (Jordan 4-11, Hodges 1-2, Pippen 0-1, Nealy 0-1, King 0-1). Philadelphia 2-4 (Hawkins 2-3, Barkley 0-1). Fouled out—None. Rebounds—Chicago 38 (Nealy 7), Philadelphia 57 (Barkley 20). Assists—Chicago 25 (Armstrong 7), Philadelphia 26 (Barkley 8). Total fouls—Chicago 31, Philadelphia 24. Technicals—Chicago coach Jackson, Mahorn.

Chicago leads series, 2-1

HOCKEY

NHL Playoffs

CAMPBELL CONFERENCE FINAL

Edmonton 2 4 1—8
Chicago 1 0 3—4

First period—1, Edmonton, Tikkanen 10 (Muni), 2:01 (sh). 2, Chicago, Roenick 11 (Presley, Wilson), 5:01 (pp). 3, Edmonton, Simpson 12 (Messier, Anderson), 12:26 (pp). 4, Edmonton, Klima 4 (Buchberger, MacTavish), 15:11. Second period—5, Edmonton, Graves 3 (Huddy, Kurri), 5:17. 6, Edmonton, Murphy 4 (Graves), 15:22. 7, Edmonton, Anderson 6 (Messier), 17:31. 8, Edmonton, Messier 9 (Anderson, Simpson), 17:48. Third period—9, Chicago, Creighton 3, 1:31. 10, Edmonton, S.Smith 4, 3:06. 11, Chicago, Thomas 7 (Lemieux, Graham), 8:11. 12, Chicago, Yawney 3 (Roenick, Presley), 9:04 (pp).

Shots on goal—Edmonton (on Millen, Cloutier) 15-10-3—28; Chicago (on Ranford) 11-6-13—30.

Edmonton wins series, 4-2

WALES CONFERENCE FINAL

Boston beat Washington, 4-0

CYCLING

Tour de Trump

Results Saturday of the 12th leg, a 123.7-mile road race from Catskill to Albany, New York:

1. James Urbanas, U.S., USA IV, 4 hours, 55 minutes, 45 seconds. 2. Steve Speaks, U.S., USA II, 4.56:15; 3. Nate Reiss, U.S., USA III; 4. Viatcheslav Ekimov, U.S.S.R., Panasonic-Sportlife; 5. Raul Alcala, Mexico, PDM, all at same time.

Results Friday of the 11th stage, a 49.7-mile New York City circuit race:

1. Ed Kaczmarczyk, Canada, amateur, 1 hour, 43 minutes, 41 seconds; 2. Michel Lafis, Sweden, amateur, 1:43:45. 3. Mike McCarthy, U.S., USA I, 1:43:53. 4. Matt Eaton, U.S., same time; 5. Steve Bauer, Canada, 7-Eleven, 1:43:56.

Overall Standings (after 12 legs): 1. Alcala, 40 hours, 59 minutes, 14 seconds; 2. Atle Kvalsvoll, Norway, Z-Kickers, 43 seconds behind; 3. Erik Breukink, Netherlands, PDM, 1:44; 4. Dmitri Zhdanov, Soviet Union, amateur, 1:52; 5. Ekimov, 2:10; 6. Speaks, 2:23; 7. Clark Sheehan, U.S., USA V, 3:01; 8. Kaczmarczyk, 3:49; 9. Hampsten, 4:02; 10. van Aert, 4:43.

Tour of Spain

Results Sunday of the 20th leg, a 39-kilometer (24-mile) urban circuit in Zaragoza:

1. Pello Ruiz-Cabestany, Spain, 48 minutes, 34 seconds; 2. Pedro Delgado, Spain, 36 seconds behind; 3. Uwe Ampler, East Germany, 42 secs; 4. Miguel Indurain, Spain, 51 secs.; 5. Marco Giovannetti, Italy, 1:08.

Results Saturday of the 19th leg, a 223-kilometer (138.6-mile) race from Benasque to Zaragoza:

1. Asiate Saitov, U.S.S.R., 5 hours, 29 minutes, 43 seconds; 2. Uwe Raab, East Germany; 3. Camillo Passera, Italy; 4. Mario Kummer, E. Germany; 5. Manuel Dominguez, Spain, all at same time.

Overall Standings (after 20 legs): 1. Marco Giovannetti, Italy, 84 hours, 47 minutes, 46 seconds; 2. Pello Ruiz-Cabestany, Spain, 24 seconds behind; 3. Pedro Delgado, Spain, 1:28; 4. Anselmo Fuerte, Spain, 1:48; 5. Fabio Parra, Colombia, 3:07. 6. Miguel Indurain, Spain, 3:26; 7. Federico Echave, Spain, 3:52; 8. Martin Farfan, Colombia, 6:35; 9. Ivan Ivanov, U.S.S.R., 6:48; 10. Oscar Vargas, Colombia, 6:55.

TRANSACTIONS

BASEBALL
National League

NL—Suspended Mariano Duncan, Cincinnati shortstop, one game for bumping umpire Mark Hirschbeck in May 9 game.

BASKETBALL
National Basketball Association

UTAH JAZZ—Signed Darrell Griffith, guard, to two-year contract.

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Monet's Giverny: The Allure and the Myth

By Alan Furst
International Herald Tribune

AN EARLY SPRING in Europe, the first week of May, Monet's garden at Giverny — it should be perfect.

From a map you can see how it must have worked on him: a northern sweep of the Seine is joined by the river Epte, itself joined by a slow stream called the Ru. Just there, at the confluence of rivers, in May of 1883, Monet rented a house. Facing south from the front door he could see that the gardens, and the low hills on the horizon, would be backlit all day by the soft, sunny light of the Seine valley.

The gardens were in constant work for the rest of the artist's life, but after he died, in 1926, they gradually declined, then fell into complete ruin during the war. By 1983 they had been meticulously reconstructed, offering an irresistible pilgrimage: a visit to a living painting.

The Seine is a gentle river: its banks are leafy, shadowy and private. French artists have always loved it and always painted it — Corot, then Pissarro, Sisley, Berthe Morisot, many others. Its current, just slow enough to mirror the willows and poplars on the banks, its mists and wandering curves, the changeable Normandy sky — all of this virtually gave birth to what came to be called Impressionism — landscapes of emotion.

Monet, in 1883, had rented paradise. Then he bought it and, 10 years later, set out to improve it. He wanted a lily pond. Strongly attracted to an aesthetic born in Japan — the perfect harmony of water, bridge and weeping willow — he applied for permission to dig a pond that would be fed by the diverted waters of the Epte.

What he got, initially, was the 19th-century equivalent of Planning Board misery: they plain didn't want to give him a permit. "Don't rent a thing," he wrote in a letter that winter, "don't order any lattice, and throw the plants in the river, they'll grow there. Don't talk to me about it: I want to paint. Merde to the Giverny locals and the engineers." In the end, however, he got his way: The pond was dug, the water lilies grew, and he painted them.

There are water lilies there today. The property, willed to the Académie des Beaux Arts by Monet's son, Michel, was taken over by the Institut de France, a conservator was appointed, a supervising gardener from the Ecole Nationale d'Horticulture went to work to reconstruct the gardens. Four years of work and some very generous donations — particularly from Lila Acheson Wallace of the Readers' Digest — and Monet's house and garden were opened to the public.

From 1977 to 1982 the American photographer Stephen Shore photographed the gardens for the Metropolitan Museum of Art and this work was published, in 1983, under the title "The Gardens of Giverny." Shore got all the best, his photographs are magnificent; riotous flowers and thick banks of shrubbery, still waters, nasturtiums spilling across gravel paths — the art of the garden that inspired Claude Monet for 43 years.

The reality, at first, is sobering. One enters the house and gardens by way of a hideous, modern building with a steel-beam supported ceiling. *Why did they build this?* But a look at the photographs on the walls tells a different story. "They" didn't build it. Monet built it, in 1914, in order to paint large canvasses of the Water Lilies cycle. And, in a letter to his stepson the following year, the artist himself says that the thing is ugly and that he is ashamed of it.

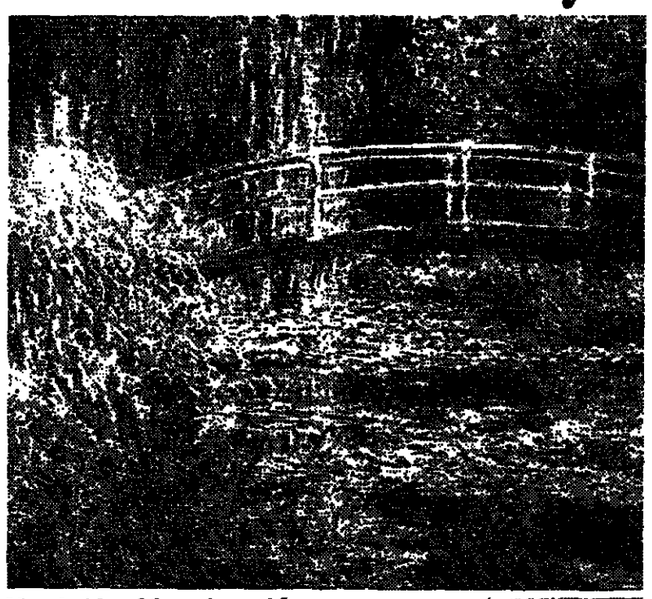
Monet's house is enormous: pink and green, very pink and very green. And the interior is a living and breathing monument to turn-of-the-century bourgeois life in a small French town. There is something pinched and mean about this house. There were 10 people to be fed — the woman Monet lived with, wife of a former patron, her six children, Monet's two (his first wife had died), and that doesn't count the servants. In addition, Monet employed six gardeners.

Walking through rooms, one can sense the small economies, the inevitable penuries of an artist's existence. Here is Monet's desk, where he paid, and often enough couldn't pay, his bills. The Japanese prints he loved are mounted on the walls. It is not so easy to understand why he loved them — they are not especially poetic or serene, they are simply what he happened to like, and he surely saw things that nobody else could.

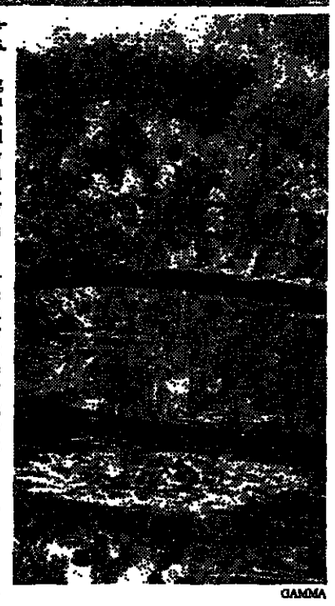
The flower gardens directly in front of the house are a little crazed, seed-packet madness, thousands and thousands of flowers, scores of species. It is not a little overgrown and a little undertended, like most appealing gardens, like Monet's garden when Stephen Shore photographed it. It has become, by necessity, a public garden, a garden maintained amid stresses wrought by hundreds of thousands of visitors.

Giverny, the first week in May, is art-shrine mania at full throttle. The graceful Japanese bridges are crowded — all sorts of people have come to see the reality of the Monet print that's hung in the living room or on the wall of the teenage bunker all these years. The cameras never stop clicking: Japanese bridge, weeping willow, still pond. Fred and Jennifer. There are sketching art students, tour-bus tourists, French families making a day of it.

But the Monet industry is nothing new — Monet, having to pay all those gardeners to push the water lilies around, buying new eyeglasses to hang on to his sight a little longer, became an industry in his own lifetime. The money kept running out and Claude Monet did the one thing he knew how to do, and then he did it some more. It is reported that he sometimes burned canvasses, struggling to maintain the level of quality that would assure his reputation after death.



Monet's vision of the gardens and Japanese bridge, and, below, today's visitors.



GAMMA

And even if the visitor managed somehow to be alone, there is something a little wrong with that water garden. It is not a great garden, it does not do for the visitor what a great garden is supposed to do; it does not shift perspective, or amaze the eye, or lead one to discover a seemingly neglected little corner where something small but wonderful just happens to be going on. It is never artless or natural — it remains what it was always intended to be: a life model, the functional structure contrived by a technical mind as a setting where imagination could do its work.

And that's the miracle. What an extraordinary thing to have done — to have covered canvas with paint in such a way that people believe the image must, 40 miles from Paris, be something they might actually experience for themselves. This is hope denied for the best possible reason, what the visitor to Giverny discovers is that the only way to see what Monet saw is to look at the paintings. Those gardens, that light, that perfect moment, doesn't exist anywhere else and it never did.

LANGUAGE

Salinas to Quayle: Unshirted Hell

By William Safire

"MILD in public, but when the talk turned serious," reported NBC's John Cochran, "Mexico's President Salinas gave Vice President Quayle what one U.S. official called 'unshirted hell.'"

The subject was the abduction, or capture, of a Mexican doctor who is thought to be involved in the murder of a United States narcotics agent.

"President Salinas expressed to me his strong displeasure" was the way Vice President Quayle put it; translated from the diplomatese, that is fair to characterize as *unshirted hell.*

Just what is this form of hell, and where does it come from?

In slang, a shirt — especially one in the process of being taken off — is a garment that signifies vexation or hot temper. In Hotten's 1859 slang dictionary, *shirty* is defined as "ill tempered or cross," with this explanation: "When one person makes another in an ill humour he is said to have 'got his shirt out.'"

The earliest 19th-century uses are British, and P.G. Wodehouse in a 1934 Jeeves novel had a character say, "But don't tell me that when he saw how shirty she was about it, the chump didn't back down?" *Shirtiness* is close to testiness, far from godliness.

Somewhere — I cannot find it in my vast library of slang — there must be a link between *shirty* and *unshirted.* The first appearance of *unshirted* comes in modification of *hell;* The Baltimore Sun is cited by the OED Supplement as the source, in 1932, of "When he proposed certain policies on prohibition . . . he was given what is known in rural districts hereabouts as 'unshirted hell.'"

The picture comes to mind of a person tearing his shirt off to castigate another; a second possibility is to berate someone whose shirt has been taken off, as if to receive a whipping. The first picture is more likely the source; the unshirted one is angry and ready to give hell to the clothed recipient.

The phrase has more zing than *to give someone a hard time,* or *to give him what for,* and has a populist connotation that *tongue-lashing* lacks. The rural American roots make it especially useful to political figures; one predecessor to the unidentified source on the Quayle staff quoted by the NBC reporter is Henry A. Kissinger, who wrote in Volume II of his memoirs: "I've been catching unshirted hell every half-hour from the president who says we're not tough enough."

In post-Civil War politics, the *bloody shirt* was a symbol of service in the armed forces, or an evocation of old sectional hatred; *to wave the bloody shirt* was to ask for a vote on the basis of wartime alliances or emotions. The origin may be in the account of the abolitionist James Baird Weaver in the 1850s, about how he acquired the stained and shredded linen of a preacher who had been flogged for inflaming slaves: "I waved it before the crowds and bellowed: 'Under this bloody shirt we propose to march to victory.'"

A shirt, then, is a kind of flag: that is why, in keeping calm, you keep your shirt on.

Nobody joined Representative Charles E. Schumer, a Brooklyn Democrat, when he charged that internal bickering within the government had contributed to the savings and loan scandal.

"It's regarded as a tar baby," said the legislator about the scandal. "Nobody wants to get ensnarled in it."

Jon von Zelowitz of San Francisco clipped the congressman's quoted comment and wondered: "I thought *tar baby* was a dated, racist term — did he mean *tar pit?*"

Tar baby is defined in Merriam-Webster's Ninth as "something from which it is nearly impossible to extricate oneself" and adds no racist caveat; to most minds, the phrase is innocent of slur.

The origin is in an 1881 Uncle Remus story by Joel Chandler Harris: a doll is covered in sticky tar to entrap Brer Rabbit.

The common colloquial sense today of *tar baby* is "a sticky problem, one better left untouched." However, the OED Supplement adds a second definition: "a derogatory term for a Black (U.S.) or a Maori (New Zealand)." The lexicographer, Robert Burchfield, is a New Zealander, and should know. Also, the novelist Toni Morrison, who is black, titled a 1981 novel "Tar Baby," probably a play on both senses.

Although most people do not use it with a slur in mind, apparently some think the tar baby is not a doll covered in pitch, but a black child. What do you do in a case like that? Insist on the author's original intent and refuse to be waved off by a perhaps-mistaken sensitivity — or recognize that the phrase has gained a racist connotation in some minds?

Professor Richard Spears, author of the 1981 Slang and Euphemism, believes "there are many contexts in which *tar baby* may be used that have no racist sense at all." He's right — but if I were a politician, I wouldn't touch it.

□

"You have to do something about this right away," said R.W. Apple Jr., my colleague at the Washington bureau of The New York Times. He brandished a clipping: "It's spreading."

The offending usage was in a Wall Street Journal story about Robert Iger, a bold television prodncer: "Even if 'Twin Peaks' caves in, it has already won ABC new cache in Hollywood as the hands-off network, eager for ideas that are daring and different."

The daring and different usage was *cache.* That word, pronounced cash, is rooted in the French *cacher,* "to conceal"; a *cache* is "a hiding place, a place where stores are kept or left; anything kept in such a hidden place."

The word probably meant by the writer is *cachet,* pronounced ca-SHAY, from the same French root, but with a quite different modern meaning: "distinction, eminence, prestige."

Henry Fowler disdained the French term as "mainly a literary critics' word *(bears the c. of genius etc.)* and should not be allowed to extrude native words; *stamp, seal, sign manual,* are usually good enough for English readers."

Sixty-four years later, most usagists would disagree about the lifted-pinkie quality that bothered Fowler; the word that had its origin as a seal on an official document — *lettre de cachet* — has a nice panache that distinguishes it from distinction.

The other word, *cache,* is still useful in its proper hiding place. In 1970, criticism was directed against U.S. military officials in Vietnam for not finding the much-heralded hidden stock of weapons during the Parrot's Beak incursion. The president's counsel, Lea Garment, poked his head in my speechwriting office to ask, "Can you check a *cache?*"

New York Times Service

PERSONALS

RONALD AND SUAN FONS are pleased to announce the birth of their daughter, Natasha Rhetta, on May 6 in Hong Kong. Thanks to Dr. Mullins for Yuri and Natasha!

HEARTFELT THANKS Saint Jude and Sacred Heart of Jesus for prayers answered. E.D.

SACRED HEART OF JESUS and St. Jude, grateful thanks for prayers answered. L.M.

SACRED HEART AND SAINT Jude, thanks for prayer answered. C.M.F.

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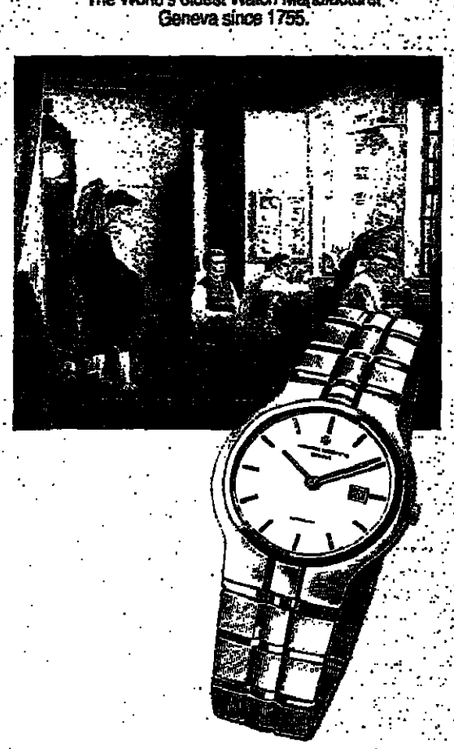

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